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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2158



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## PRINCIPLES FOR WORKER PARTICIPATION IN PLAN PUBLISHED

Prague SBIRKA ZAKONU in Czech 18 Feb 81 pp 41-44

[Text] CSSR Government and Central Council of Trade Unions Principles for Worker Participation in the Formulations, Implementation, and Control of Economic Plan Fulfillment in 1981-1985, as Approved in CSSR Government Resolution No 401 of 9 December 1980.

The growth of the material and cultural standard of the population based on effective development of social production, is indelibly linked to broad, activist worker participation in the formulation, implementation, and control of national economic planning. This is an inseparable trait of socialist democracy, and a prerequisite for successful work of the organizations. The principal objective of this participation is to utilize in practical application the ability, good sense, talent, as well as specialized professional knowledge and experience of the workers to uncover and utilize reserves in the growth of labor productivity, effectiveness, and quality in production.

The CSSR Government and the Central Council of Trade Unions, based on Law No 145/1970 on national economic planning, and on the CPCZ Presidium and CSSR Government resolution on the "Set of Measures," hereby sets forth principles for a joint approach of state, economic, and union bodies to organizing worker participation in the formulation, implementation, and control of the plan in 1981-1985.

These principles will be implemented by state and economic bodies, together with trade union organs, under the leadership of the CPCZ, in cooperation with the Socialist Youth Union and the Czechoslovak Scientific and Technological Society.

### I. Worker Participation in Plan Formulation

1. Ministries and other central organs, national committees, management of VHLs [economic production units], enterprises and plants, will intensify mutual cooperation with appropriate bodies of the Revolutionary Trade Union Movement [ROH] and coordinate a joint approach in the resolution of basic problems, in the elaboration of the plan and its fulfillment, in improving working conditions and responding to social needs of the people, and in strengthening technological and labor discipline.

2. Economic management, with trade union assistance throughout the planning process, will explain to the workers the principles of intra-enterprise khozraschet in concrete conditions, and will persuade them to take an active role in its application. Management will also make sure that the relationship between acceptance of the demanding tasks of the plan, and fulfillment of socialist pledges and incentive, are made understandable to the workers.

3. Ministries and other central organs will, within the prescribed time limits, elaborate the tasks and indicators of the Seventh Five-Year Plan, possibly also the directives for the preparation of annual plans (including tasks for the cadre preparation and personnel and social development plan) for the VHJs in a differentiated, comprehensive, balanced manner in coordination with the branches concerned.

The VHJs will elaborate and coordinate with appropriate organizations a differentiated and comprehensive set of tasks and indicators for the five-year plan, as well as directives to subordinate components on the annual plan preparation in volume, timing, selection, and quality.

Enterprises will, in consonance with concrete conditions at work sites, apply these prescribed tasks in a differentiated manner all the way to individual intra-enterprise components. In doing this, they will make use especially of the dependence between the most important qualitative tasks and the instruments of material incentive prescribed by the five-year plan and the directive for annual plans. At the same time, the enterprises will prepare regulations by which a given intra-enterprise component will participate in the benefits of incentive means to the formulation of which it contributes.

Based on the tasks prescribed in this manner, enterprises and VHJs will prepare five-year economic plans and, based on these, the annual plan proposals.

In monitoring these procedures, ROH organs will inform higher state, economic, and trade union bodies and demand improvement in cases where they find a formalist approach to plan preparation and administrative solutions to specific economic problems, both of which jeopardize workers interests.

4. The basic form of worker participation in implementation plans is counter-planning, the goal of which is to surpass especially the qualitative tasks of five-year plans in annual plan proposals, without going over the ceilings and means prescribed by the five-year plan, in other words, achieve overfulfillment solely by more effective utilization of all resources.

Ministries and other central organs, together with appropriate union central committees will, on the basis of deadlines set by the government, prepare binding graphic time schedules for the formulation of implementation plan proposals, so that they can serve as substantive and timing prerequisites for active worker participation in counter-planning.

Management of VHJs and economic organizations, together with appropriate ROH organs, will make sure that the workers are fully acquainted with their tasks, organizational plans, incentive requirements, and with the causes of lagging

quality in production. Also discussed with the workers will be the possibilities and methods of internal mobilization of resources and the utilization of initiative worker suggestions and ideas, as well as a system of informing workers in turn of how their thoughts are applied in practice.

In order to make best use of inventors, innovators and other superior workers, including the Complex Rationalization Brigades and Brigades of Socialist Labor, management will set concrete substantive tasks, especially in the area of product quality.

State and economic bodies at all levels of management, along with appropriate ROH organs, will encourage workers to participate in counter-planning. They will issue directives to subordinate organizations aimed at focusing counter-planning at specific problems, toward evaluation and assessment of results achieved according to concrete conditions in individual sectors, branches, collectives, as well as among individual workers.

The foundation of monetary incentive of counter-planning in the five-year plan or in the directive for the annual plans is based on the dependence between a production component's own performance record, rentability of production funds, profit and export on one side, and wages payable, development and monetary incentive funds in export on the other, possibly also relations among other indicators and instruments of material incentive.

The contribution made by counter-planning is worked into the economic plans of organizations. Further incentives during the plan implementation period will be stimulated according to regulations valid for plan implementation, i.e., the set measure of material incentive will usually be lowered by a certain coefficient so that workers' interest remains focused on a demanding plan and its fulfillment, rather than on surpassing a less exigent plan.

The concrete tasks of counter-planning are handled by collectives at workshops, in services, plants, organizations and VHJs with active participation of exemplary workers, technicians and economists, inventors and innovators, as well as the Complex Rationalization Brigades and Brigades of Socialist Labor.

5. In conformance with the program and plans for cadre preparation, personnel and social development--and within the framework of approved ceilings, economic management, along with union organizations, will create the necessary conditions for further improvement of the social, cultural, health, and living standard of the working people. In this respect, economic management will make full use of the contribution brought by counter-planning.

6. Based on recommendations and ideas of workers and the union aktiv, union organs will prepare a statement containing their views and comments on the plan proposal. This statement represents an inseparable part of the plan proposal when submitted to higher organs of economic management which are bound to inform the union organ in writing within 30 days as to what considerations have been given to its views expressed in the statement.



In cooperation with economic management and the national committees, the union organs will consistently ensure that worker proposals, comments or ideas not remain unnoticed by management, and will wage a determined struggle against cases where justified needs of the working people are ignored.

7. The management of VHJs and economic organizations, along with appropriate union organs, will--concurrently with preparation of the plan proposal, ensure worker participation in the elaboration of new collective contracts, proposed principles of socialist competition development, and proposed program for the inventors and innovators movement. For this, management will make use of the results and conclusions arrived at in public control of the fulfillment of collective contracts, pledges and rationalization measures, and analyses of economic results in the quality of labor and production.

## II. Worker Participation in Plan Implementation

8. Ministries and other central organs, VHJs and economic organizations will ensure that an elaboration of tasks and indicators in approved economic plans is passed to subordinate components, including measurable and controllable conditions of material incentive, and key, especially qualitative, tasks for collectives, as well as individuals.

Management organs will devote more attention to elaboration of scientific and technological tasks, rapid utilization of results of research and development aimed at the growth of labor productivity, effectiveness, and quality of production, at modernization of production technology, and rationalization of production consumption.

They will also ensure that the elaboration of the plan is based on technologically justified norms which reflect the most modern technical and technological standards and the national economy's need for rationalized use of production capacities, material and energy resources, as well as the labor force.

9. Management of the VHJs and economic organizations, together with appropriate union organs, will discuss planned tasks with the working people, interest them in uncovering reserves and in improving labor discipline. They will explain the tasks to work collectives and outline controllable goals and ways to their achievement which will represent the substance of individual and collective worker pledges on which the efforts of inventors, innovators, and Complex Rationalization Brigades will be focused.

In a joint effort, management organs will encourage workers and other employees to sign and fulfill personal and collective pledges aimed at the fulfillment of prescribed tasks in performance, quality, economy, and savings in fuels, energy, metals and other materials. In this effort, management will provide the workers with effective assistance. They will encourage engineering, technical, scientific, and management personnel toward signing and meeting individual and collective creative plans aimed at improving labor productivity through speedier scientific and technological progress.



Furthermore, there is a joint task of economic and union organs to improve economic management and organize socialist competition so that all types of individual and collective pledges of workers, engineering, technical, scientific, and management employees in their aggregate ensure successful plan fulfillment in workshops, operational sites, plants, and organizations, with respect to all indicators.

10. Management of the VHJs and other economic organizations will intensify cooperation of research, development, and other work sites of economic organizations with scientific research institutes and universities. Management will make sure that this cooperation focus on beneficial contacts between production and science, on achieving results leading to the introduction of modern technology and procedures which allow for improvement in labor productivity, savings in energy and materials, and for raising the quality, reliability and technical standard of selected finished products.

11. Management of the VHJs and economic organizations, along with appropriate union organs, will ensure the signing, implementation, and fulfillment control of joint socialist pledges for the completion of capital investment projects, and bringing assets up to full operational capacity within the prescribed time limits, as well as technological and economic indicators for improved quality of selected finished products, better producer-customer relations, and for satisfying the needs of foreign and domestic trade.

12. Management of VHJs and economic organizations has the duty to negotiate any changes or adjustments in the plan--authorized only in special instances--with the appropriate union organ, explain to the workers the reasons for such changes, and project them without delay into the collective contract and socialist pledges.

### III. Worker Participation in the Control of Plan Fulfillment

13. ROH organs, in cooperation with appropriate economic bodies and national committees, will ensure broad worker participation in the control of plan fulfillment and management. ROH organs express appreciation for good results, but also publicly criticize irresponsible, shoddy, and low-quality performance of all employees, including management personnel, and demand that conclusions be drawn from documented shortcomings in plan fulfillment and care for worker needs.

14. Economic management, in agreement with the appropriate ROH organ, will at production meetings and at ROH membership meetings and conferences explain the results achieved, reasons for nonfulfillment of tasks and indicators of the economic plan, and submit proposed remedial measures to the workers for discussion.

Union organs will make sure that economic management systematically provide information to the workers which they need to assess the production, technological, and economic tasks and problems.

15. Management of VHJs and economic organizations, in cooperation with union organs, will create substantive and timely conditions for broad worker participation in control aimed at:

--balanced fulfillment of tasks according to planned areas of social use (fulfillment of deliveries in the prescribed structure), while monitoring planned effectiveness, quality, and economy;

--fulfillment of qualitative plan indicators, especially correct utilization of capital assets, lowering consumption in raw and other materials, fuels and energy, growth of labor productivity, savings in the labor force, lowering the working time and overtime requirements;

--implementation of state objective-oriented programs, fulfillment of tasks in the area of producer-customer relations, and fulfillment of complex socialist rationalization programs;

--fulfillment of planned tasks in cadre preparation, personnel and social development, including the quality of enterprise cafeterias, social amenities, and fulfillment of measures to increase health safeguards and labor safety.

16. Union organs will see to it that workers actively participate in the resolution of reported problems. For this they will utilize all forms of worker initiative, i.e., production meetings, technical and economic conferences, membership meetings, various aktivs, etc. Results achieved must be assessed with critical exactingness and measures must be adopted to eliminate shortcomings and publicize tried and tested experiences.

Union organs will ensure that economic management responsibly evaluate and utilize worker suggestions, proposals, and ideas for eliminating shortcomings and for achieving better economic results.

They also protect authors of justified critical comments and proposals from possible discrimination at the hands of those criticized.

17. Economic management, in cooperation with appropriate ROH organs, will ensure regular control in 10-day, monthly, and quarterly intervals. Semiannual public control of plan fulfillment will be combined with fulfillment control of collective contracts, socialist pledges, and the results of worker creative initiative. An inseparable part of public control is the observance of the legal code and labor and technological discipline. During annual controls of plan fulfillment, assessment will cover the fulfillment of the five-year plan from the beginning of the current Five-Year Plan.

#### Closing Provisions

18. These principles will be broken down into specifics by the federal and republic branch control organs in cooperation with appropriate Czech and Slovak trade union committees, thus ensuring their application to conditions of branches and sectors of the production and non-production spheres, so as to guarantee active worker participation throughout the planning process.

19. These principles will be applied in all organs of economic management, socialist organizations, and national committees.

20. These principles will be suitably adapted to areas of special technology, with emphasis on observing appropriate provisions on the protection of state, economic, and service secrets.

21. Differing viewpoints of economic and union organs on the plan proposal and plan fulfillment control, will be resolved by the higher state or economic body, following discussion with the appropriate higher union organ.

22. Control of fulfillment of these principles will be conducted by the VHJs and economic organizations, together with the analysis of economic activity. In state and higher union bodies, control of how these principles are being adhered to will be conducted together with discussions of annual results of implementation plan fulfillment.

23. These principles become effective on the day of issuance.

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FIRST HALF 1981 PLAN FULFILLMENT REPORTED

East Berlin NEUES DEUTSCHLAND in German 18-19 Jul 81 pp 3-4

/Official text: "Report by the State Central Administration for Statistics on the Implementation of the First Six Months of the 1981 Economic Plan"

/Text/ In the first half of 1981 the working people of the German Democratic Republic recorded outstanding achievements in the work for the further all-round consolidation of our socialist state of workers and farmers. The report by Comrade Erich Honecker, general secretary of the SED Central Committee, to the Tenth SED Congress provided a tremendous impetus for the greatest possible rise in economic performance. The socialist competition organized by the labor unions in honor of the party congress represented the greatest ever social mass movement toward the realization of SED policies directed to the prosperity of the people. This initiative, unprecedented in the history of our republic, continued even more strongly after the Tenth SED Congress. The active support of the policies resolved upon by the Tenth SED Congress and the preparations for the 1981 popular elections also insistently reflect the trustful relationship between party and people, the affection of the citizens for their socialist state.

Thanks to the strenuous labors and many initiatives of the working class, the cooperative farmers, the intelligentsia and all other working people, planned, stable and consistent economic growth has successfully continued and, in important areas, speeded up. The plan targets for the development of output and efficiency for the first 6 months of this year were exceeded.

The plan advance achieved in honor of the Tenth SED Congress was purposefully expanded. All sectors of the national economy contributed to this success. The work collectives of industry hold a particularly large share in the improvement of our economic capacity. In the first half they recorded an industrial goods production of M2.3 billion in excess of the plan quotas. The plan advance corresponds to the output of 1.9 working days. This overfulfillment was largely achieved without any increase in the consumption of materials or energy.

The working class as the class holding ownership and exercising power has again and most impressively turned out to be the leading force in the socialist society. The working people successfully tackled and translated into concrete targets the implementation of the economic strategy adopted by the Tenth SED Congress and oriented to the further pursuit of the main task. Even while the congress was deliberating.



the working people of the Carl Zeiss Jena Combine VEB, the Karl Marx Stadt Fritz Heckert Machine Tool Combine VEB, the Walter Ulbricht Leuna Works VEB and the Schwedt Petrochemical Combine VEB accepted new and advanced obligations with the slogan "the greatest possible growth of output by rising productivity, efficiency and quality--everything for the prosperity of the people and for peace!" Working people in all sectors of the national economy have joined this competition initiative for improving the cost/profit ratio. FDJ members, especially in the youth brigades, are also making an increasing contribution with the watchword "everyone for a good result every day."

The increase in the national economic capacity achieved in the first half of 1981 is largely due to the state combines in industry and construction. The Leipzig seminar joining the SED Central Committee with the general directors of centrally managed combines and the Central Committee party organizers provided essential bases for the improvement in output and efficiency.

Inspired by the Tenth SED Congress resolutions the collectives of all combines obligated themselves in addition to the economic plan quotas to achieve an output equivalent to at least 3 working days, and to do so largely by the use of materials conserved earlier.

By safeguarding the supply of foods for the public and of agricultural raw materials for industry our cooperative farmers in close comradely collaboration with the workers have provided an important contribution to the consolidation of the alliance between the working class and the class of cooperative farmers as well as for the strengthening of the GDR.

Economic and scientific-technological cooperation with the Soviet Union was of fundamental importance for the stable and successful development of the GDR economy in the first half of 1981. Based on coordinated plans and the implementation of the program of specialization and cooperation of production between the GDR and the USSR through 1990, further steps were taken for the even greater dovetailing of the two countries economies. Carried out as planned were the tasks involved in the deepening of socialist economic integration in the Council for Economic Mutual Aid.

Due to the rise in output and efficiency it was possible to secure all that has been accomplished hitherto by our economic and social policies and gradually improve the material and cultural standard of living.

The material-technical base of the national economy was further strengthened. New operating principles, modern technologies and processes for the greater refinement of products as well as for the conservation of manpower and working hours became production effective. All sectors did extensive work on the development and application of microelectronics. More industrial robots than planned were produced and deployed.

In preparation and as the result of the Eleventh FDJ Parliament youth achieved a goodly share of the satisfactory balance by offering much willingness to serve, energy and social responsibility. By their activism in the "Join in!" competition, millions of citizens helped to make life more agreeable.

Compared with the same period of 1980 the following main results were registered in the first half's implementation of the 1981 plan:\*

- The produced national income rose by 5 percent. This result bears witness to the increased capacity of the national economy. The growth of national income was achieved mainly by the greater utilization of qualitative growth factors. Also improved was the ratio between the expenditure of basic assets, raw materials and other materials as well as live labor on the one hand and the produced national income on the other. More than 90 percent of the growth achieved in the national income derive from greater productivity. Industry, recording a 6 percent growth in the net product, supplied more than 75 percent of the rise in the national income.
  - Industrial goods output in the national economy grew by 5.4 percent per working day, in the scope of the industrial ministries by 5.8 percent. As a result production of industrial goods for the public, the national economy and exports was M9 billion greater than in the first half of 1980. The economic plan of industrial goods production was fulfilled to 101.5 percent. The combines subordinated to the industrial ministries produced goods worth M2.5 billion in excess of the plan. That corresponds to 1.9 output days. This overfulfillment was achieved largely without the use of additional energy and materials.
  - In the scope of the industrial ministries the plan of net production was overfulfilled as the result of improved productivity and efficiency. Raw material costs per M100 goods production were lowered by 1 percent more than provided in the plan. The specific consumption of important types of energy, raw materials and other materials was reduced by 5 percent. Prime costs declined in excess of the plan.
  - Productivity in industry improved by 5.4 percent. Ninety-three percent of the production growth recorded was achieved by rising productivity.
  - Also overfulfilled were the assignments of the state plan and enterprise plans science and technology, including projects completed ahead of time. International standards are met by 79 percent of the realized transfer assignments of the state plan.
- The economic impact of science and technology rose yet again. More than 90 percent of the greater productivity in industry are generated by the speedier application of scientific-technological results. Scientific-technological measures served to save 230 million working hours.
- The quality standard of industrial production has improved again. Industrial goods to the value of M26 billion received the "Q" quality mark. The reliability and durability of many products was increased and design improved.

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\* Preliminary data

- M25 billion were invested for the planned strengthening of the national economy's material-technological base as well as the further pursuit of the sociopolitical program. In the scope of the industrial ministries investments rose by 4 percent; for complex housing construction by 6 percent. Investments in the producing sector were deployed increasingly in such areas as microelectronics and robot equipment, which are crucial for the introduction of progressive technologies and automation. In the metal processing industry more jobs were made redundant than created as the result of investments.
- Construction output rose by 5.4 percent in terms of working days. The plan advance achieved corresponds to 1.7 working days and occurred largely without the use of additional material funds. Greater efficiency helped exceed the plan of net production and keep below the planned raw material costs per M100 construction output.
- Housing construction recorded the best ever half year result by turning out 88,383 new or modernized units (7,866 more than planned and 10,565 more than in the first half of 1980). Housing conditions thereby improved for 264,000 citizens.
- Socialist agriculture exceeded the plan of state yield for all products of animal husbandry. The livestock kept is more numerous than ever. Spring cultivation was of excellent standard.
- The transport and communications system fully met the transportation needs of the national economy. The share of the railway and of inland shipping in the volume of goods carried was raised as planned. It was possible to lower the specific transport use of the national economy. The transfer of freight from road to rail and inland shipping contributed to the further conservation of fuels and energy.
- Foreign trade turnover rose by 12 percent; with the USSR it increased by 17 percent. Exports to the developing countries and the capitalist industrial countries were raised substantially.
- The people's net cash incomes grew by M2 billion or 3.3 percent; net earned income of blue and white collar workers by 3.9 percent.
- Retail turnover increased by M1.6 billion and achieved M48.7 billion, a 3.3 percent rise. The plan for the production of finished goods for the public was exceeded by all industries and fulfilled to 102.5 percent overall. Services and repairs for the public rose by M150 million.
- State services (paid from social funds) for the improvement of material and cultural living conditions amounted to M29.3 billion. This means that 9.7 percent more were spent than in the first half of 1980 for housing and the maintenance of stable rents, stable prices for essential goods and fares as well as for the satisfaction of the people's growing health, social and intellectual-cultural demands.

- In popular education further advances were recorded with regard to the curricular organization of the 10-grade general educational polytechnical secondary school and the perfection of communist education for school children. Material and personnel conditions have improved, 625 new class rooms and 8,806 kindergarten places were provided.
- Good results were recorded regarding medical and social care for the public. Provision was made for 231 medical and dental jobs, 6,344 creche places and 1,704 rest and nursing home places; 180,000 citizens were awarded spa cure treatments.
- Physical culture and sports have continued to develop successfully. The inauguration of the new sports and recreation center in Berlin offered a new facility for active public recreation. The popular sports movement broadened.
- Artists and craftsmen developed many initiatives and, by offering new works, provided a major contribution to the enrichment of intellectual-cultural life.

Berlin, the GDR capital, has been further and resolutely organized as the political, economic and intellectual-cultural center of the socialist GDR. This was helped by the efforts of working people in all districts and sectors, in particular the 139,999 youths engaged in the FDJ initiative Berlin.

The tasks of national defense and internal security and order were economically secured as an indivisible element of the economic plan.

#### I. Industry

The satisfactory result of the first half of 1981 definitely originates in the strong dynamism of state industry. By above average growth its share in the production of the national income and the social end product increased. The plan of industrial goods production was exceeded every month.

The state quotas of industrial goods production were fulfilled to 101.4 percent in the scope of the industrial ministries. Compared to the same period of 1980, industrial goods production in the first half of 1981 rose by 5.8 percent in terms of working days. The plan advance recorded in honor of the Tenth SED Congress was steadily expanded by the combines in the scope of the industrial ministries. The excess output achieved by the end of June corresponds to that of 1.9 working days. This means that consumer goods for the public, products for the national economy and exports to the value of M2.5 billion were produced in excess of the plan. This additional output was generated largely by the use of materials conserved earlier.



Enterprise Subordinated to the Ministry for	Fulfillment of the State Quota for Industrial Goods Production in the First Half 1981	Growth of Industrial Goods Production in Terms of Working Days Compared to the First Half 1980
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Percentages

Coal and Energy	101.5	103.7
Ore Mining, Metallurgy and Potash	101.1	106.2
Chemical Industry	101.2	104.0
Electrical Engineering and Electronics	101.7	110.9
Construction of Heavy Machines and Equipment	101.4	106.6
Construction of Machine Tools & Processing Machinery	101.2	109.9
Construction of General Machinery, Agricultural Machinery & Vehicles	101.4	107.0
Light Industry	101.6	104.5
Glass & Ceramics Industry	101.5	104.4
District Managed Industry & Foodstuffs Industry	101.6	104.5

The plan targets of net production were exceeded. Centrally managed industrial enterprises succeeded in lowering basic material costs per M100 goods production in excess of the plan. Fourteen combines achieved 10 percent growth and more for industrial goods production as well as net production. They are the state combines Regis Brown Coal Plant Construction; Photochemical Combine Film Factory, Wolfen; Robotron, Dresden; Car Zeiss, Jena; Automation Plant Construction, Berlin; Microelectronics, Erfurt; Electronic Components, Teltow; Radio and Television, Stassfurt; ORSTA Hydraulics, Leipzig; Fritz Heckert Machine Tool Combine, Karl Marx Stadt; Herbert Warnke Shaping Equipment, Erfurt; Werner Lamberz Printing Equipment, Leipzig; Silicate Raw Material Combine, Kemmlitz; and Geological Research and Exploration, Halle. These combines also recorded upswings in productivity.

Planned industrial production in the scope of bezirk economic councils was fulfilled to 101.7 percent while production rose by 5.3 percent. All bezirk economic councils exceeded the plan of industrial goods production.

The planned sales of finished goods for the public have been exceeded in all sectors. Industry put at the disposal of domestic retailers consumer goods with a volume of M613 million above the plan. Progress was recorded in the output of high quality consumer goods which are more reliable, easier to handle and use less energy while displaying better design. The combines manufacturing means of production were much involved also. They expanded their output of finished goods for the public and carried out their tasks regarding components for the producers of consumer goods.

Fuel and energy supplies for the economy and the public were safeguarded. The conversion of energy production to the domestic energy source brown coal was resolutely pursued. Strict management and many initiatives of the working people helped more rationally to use energy and lower energy consumption in all sectors of the national economy. The production plans for products of coal refinement were overfulfilled. Particularly satisfactory achievements were recorded in the output of raw brown coal, raw brown coal dust and briquettes. The availability of power plant capacities was improved. Strip mining laid bare raw brown coal in excess of the plan.

The working people of the geological industry accomplished the planned targets for the exploration of deposits of domestic minerals and ground water. Natural gas from GDR deposits was produced daily in accordance with consumer demand.

All sectors of production achieved advances with respect to greater refinement. Satisfactory results were registered particularly by metallurgy, the chemical industry, the glass and ceramics industry and light industry, accompanied by growing efficiency.

Production targets were fulfilled or overfulfilled with regard to the majority of important raw materials and components. Above average growth rates were achieved for, among others: High and low pressure polyethylene, PVC pipes, conveyor belts, steel pipes, cast pressure pipes, malleable cast iron products, devices and appliances for regulation, control and checking, hydraulic products, cutting tools, builders hardware (locks and fittings).

Production targets were overfulfilled for the products of microelectronics. The output of semiconductor components and electronic building blocks rose by 25 percent and for monolithic integrated circuits by 46 percent.

A substantial rise was registered in the production of important machines and equipment for rationalization and exports as well as various consumer goods. The production targets for industrial robots were exceeded in the first 6 months.

Compared with the first half 1980 productivity in the scope of the industrial ministries rose by 5.4 percent per blue and white collar workers in terms of working days. This increased productivity generated 93 percent of the output growth. Forty-two combines raised productivity faster than goods production.

The quality standard of industrial production increased yet again. Industrial products awarded the "Q" quality mark had a value of M26 billion. The reliability and durability of many goods has been increased and design improved.

This improvement in quality is largely due to the 517 enterprises which were awarded the designation "enterprise of excellent quality work." The Carl Zeiss Combine VEB, Jena, was the first to obtain the designation "combine of excellent quality work." By comparison with the first half 1980 the cost of rejects, reworking and warranty services declined by 8 percent per unit of goods production.

Development of Output Volume of Important Products in the First Half 1981 Compared With the First Half 1980

Product	Percent
Raw brown coal	103.7
Brown coal briquettes	101.0
Products of metallurgical further processing	102.3
Steel pipes	110.0
Potash fertilizer	102.3
Polystyrene	111.5
Alkyl esters	115.4
Synthetic silks	103.4
Synthetic fibers	102.8
Metal cutting machine tools	107.0
Cold forming machine tools	114.5
Twisting and cable making machines	121.9
Machines and equipment for the textile, clothing and leather industries	107.5
Machines and equipment for the printing and papermaking industries	112.2
Combine harvesters	115.2
Fittings	104.7
Roller bearings	107.2
Hydraulic products	112.0
Industrial measuring control and regulating technology equipment	111.4
Digital controls	130.5
Electrical installation materials	107.9
Low tension switchgear	100.9
Devices and equipment for control and regulation	108.8
Household glass and mirror glass	121.4
Textile floor covering	107.4
Bedlinen	114.5
Knitted outerwear	103.0
Hosiery	104.0
Household washers	102.5
Household refrigerators	102.7
(including: Household freezers)	112.3
Gas cookers	106.2
Water heaters	107.3

The in-enterprise output of rationalization aids increased by 28 percent. The industrial combines actually exceeded the plans for rationalization aid construction. As the result of in-enterprise manufacture industry specific rationalization aids were produced and deployed to a value of M91 million above plan. The technological standard of the production of rationalization aids improved in many combines and enterprises. At the same time in-enterprise rationalization construction was increasingly oriented to the efficient manufacture of industrial robots to save manpower. In order to achieve this skilled designers, technologists and workers were deployed to better effect. The in-enterprise construction departments also contributed more to rationalization and maintenance.

Substantial progress was recorded in materials management. The many and various actions by the working people for the better utilization of raw materials and other materials resulted in the reduction of specific production consumption. Specific energy use in the scope of the industrial ministries declined by 5 percent. For important energy sources such as electricity, city gas and diesel fuels the planned consumption was undercut. In the scope of the industrial ministries the consumption of heating oil, hard coal and hard coal coke declined by comparison to the same period of 1980 as the result of purposeful conservation and the increased replacement of imports by domestic energy sources.

Further considerable savings may be achieved by the generalization of the experiences of such combines as the Walter Ulbricht Leuna Works, the Wilhelm Pieck Synthetic Fiber Combine, Schwarza, the Hermann Matern Strip Steel Combine, Eisenhuettenstadt, all of which are demonstrating exemplary work in the field of energy conservation. The replacement of imported energy sources increasingly proceeds by way of the greater use of raw brown coal. Substantial investment resources are deployed to this end by the national economy.

In the metal processing industry the majority of combines either observed or kept below the planned specific consumption of rolled steel.

Satisfactory results were recorded in the recovery and reuse of secondary raw materials. The recovery of steel scrap increased by nearly 3 percent, that of waste paper by 2 percent.

By the action "materials conservation" the members of the FDJ and the Pioneer organization provided a significant contribution to the better utilization of raw materials. The profits of that action amounted to M900 million.

The utilization of production plant in industry rose to an average of 15.1 hours per calendar day. Three quarters of all industrial combines achieved a better standard of capacity utilization in the first 6 months of this year than in the corresponding period of 1980. That holds true in particular in the combines of the metal processing industry.

Total prime costs per unit of realized goods production were again lower. The planned reduction was exceeded by 0.7 percent. The planned rate of costs was observed or undercut by 112 combines of industry. Cost savings amounted to M650 million. Forty-nine combines achieved an above plan prime cost reduction of 1 percent or more.

## II. Science and Technology

Science and technology are increasingly revealed as the main factors of intensification of social production, the crucial impetus for rising productivity and efficiency. Our stable economic growth was largely due to the speed-up of scientific-technological advances. The rapid and comprehensive application of microelectronics, the development of flexible automation by the use of industrial robots, the rational utilization of energy and raw materials reserves, the greater refinement of materials and the improvement of the technical and technological standard of production contribute a great deal to the creation of the necessary preliminaries for the realization of the economic strategy of the 1980's.



The economic efficacy of science and technology has continued to increase. The greater use of scientific-technological results led to the decline in the consumption of raw materials, other materials and energy, major manpower savings and a faster rise in goods production distinguished by the "Q" quality mark. More than 90 percent of the greater productivity of industry are due to the speedier utilization of scientific-technological results.

In general the assignments of the state plan and enterprise plans science and technology were fulfilled. Scientists, technicians, innovators and rationalizers in all sectors of the national economy, in combines, enterprises and institutes, academies, universities, colleges and technical schools offered creative achievements in honor of the Tenth SED Congress and made an enormous contribution to the planned fulfillment and purposeful overfulfillment of the plan targets.

Important results were transferred to production ahead of the planned dates.

There was another rise in the realized introduction tasks of the plans science and technology, which help determine advanced international standards. Within the framework of the state plan science and technology these achieved a 79 percent share.

The consistent transfer of top performances to production, especially of new technologies and processes, accompanied by the simultaneous replacement of obsolete products in many combines, further advanced comprehensive socialist rationalization. This process may be substantially speeded up by the purposeful transfer of these good experiences to all combines.

The top performances of the plans science and technology in the first half provided all prerequisites for turning out in 1981 a production volume of M6 billion at higher quality and with greater efficiency.

Scientific-technological cooperation with the USSR and other CEMA countries was deepened and contributed to the speed-up of the accomplishment of scientific-technological tasks. The targets specified with the USSR in government and ministerial agreements were achieved.

The increased application of scientific-technological results and scientific labor organization by industrial, construction and transportation enterprises has provided a significant contribution to the more efficient utilization of the social labor capacity, accompanied by improvements in working and living conditions. Rationalization of high technical standard, in particular, permitted the saving of 230 million working hours, 14 percent more than in the first half 1980. These savings correspond to the hours worked by 252,000 blue and white collar workers in the first half 1981. Important economic reserves are to be found in the still uneven progress of combines with regard to manpower savings by way of scientific-technological measures.

The application of scientific labor organization has made it possible to reorganize 110,000 jobs. At the same time unpleasant and hazardous working conditions were eliminated for 18,000 working people.

Basic research respecting the natural sciences, mathematics and technology was carried on in the research facilities of the GDR Academy of Sciences, other academies, universities and colleges; it concentrated on the creation of the necessary scientific-technological preliminaries for achieving a steady and lasting advance in the performance and efficiency of the national economy as well as the general prosperity of the people. Their research and development work emphasized such main directions of scientific-technological progress as rational energy use; the use, most rational utilization and greater refinement of the raw materials available; the development and rationalization of the raw materials and other materials base; the speedier development and use of microelectronics, industrial robots and digital and non-digital controls for machines; the study and establishment of a healthy nutrition and lifestyle as well as the even better medical and social care of the public.

The scientific-technological creativity of innovators, inventors and rationalizers was purposefully oriented to the accomplishment of the tasks set in the plans science and technology. In the state economy more than 1 million working people were involved in the innovation movement. The annual profit of the innovations introduced amounts to more than M. 5 billion. Young people involved in the Movement of the Pair of the Masters of Tomorrow and the members of the Chamber of Technology provided a significant contribution to the mastery of scientific-technological advances.

## II. Investments

In the first half of this year M23.5 billion were invested for the planned strengthening of the economy's material-technical base and the implementation of our social policies. In the scope of the industrial ministries total investment rose by 4 percent, in complex housing construction by 6 percent.

The material-technical base of the economy was further perfected and modernized--a process indissolubly linked with the speed-up of scientific-technological progress. The latest results of science and technology were increasingly utilized for the preparation and implementation of investments. Consequently greater success was achieved in more rapidly making valuable scientific findings production effective and obtaining the faster transfer to production of new products and technologies. Socialist rationalization was further speeded up by raising investment in the renewal, modernization and reconstruction of the available basic assets. Compared with the same period of 1980 renewal investments in industry rose by 9 percent; the share of construction investments declined to 25.6 percent.

Investments were increasingly used in such sectors as microelectronics and robot technology, which are crucial for the introduction of progressive technologies and automation.

Improved was the ratio between the abolition and new creation of jobs. The metal processing industry scored a first by, in connection with investments, making more jobs redundant than creating new ones. The automation of entire production processes significantly affected the redundancy of jobs and, consequently, the freeing of manpower. In the first half 1981 the numbers of industrial robots deployed in the national economy rose to 7,000.

Subsequent to the consistent reduction in long-range investment projects and extensive new starts it was possible to cut the completion time of investment projects and thus reduce the volume of incomplete investments as well as investment spending.

In honor of the Tenth SED Congress many new capacities and part capacities were completed ahead of time and to high standards. They thereby became a contributing factor in the increase in output. As the majority of the capacities observed and, in part, exceeded the confirmed technical and economic parameters, the planned production growth from completed investments was exceeded by 3 percent.

In the first half 1981 143 capacities from centrally planned investment projects began permanent operations.

The following were among the capacities from centrally planned projects taken into permanent service:

- For energy and raw material production as well as refining metallurgy two more 175 megawatt blocks at the Markersbach pump storage station, the Delitzsch-Southwest strip mine with an annual capacity of 3.5 million tons raw brown coal, further expansion stages of the Werra potash enterprise in Merkers, the Porschdorf strip steel refinery at the East Ironworks Combine, the Quenz slag processing plant at the Brandenburg Steel and Rolling Mill VEB;
- Capacities for products of microelectronics and electrical engineering, such as the unipolar solid state circuits at the Erfurt Radio Works VEB and the Frankfurt (Oder) Semiconductor Works, electric motors at the Wernigerode Electric Motor Works VEB in Hartha and Thurm, computer control mechanisms at the Karl Marx Stadt Numerik VEB, NNC controls at the Erfurt High Voltage Equipment Construction VEB, industrial measuring, control and regulating technology equipment at the Teltow Device and Regulator Works VEB;
- Capacities for components and pumps at the Halle Machine Factory VEB and Halle Pump Works, gears for farm machines at the Kirschau Gear Works VEB, the Vogelsdorf Slab Works;
- Capacities for investment goods such as chemical plant and apparatus at the Erfurt-Rudisleben Chemical Plant Construction VEB, harbor cranes at the Eberswalde Crane Construction VEB, rolling mill equipment, cable making and twisting machines at Magdeburg Ernst Thaelmann Heavy Machine Construction Combine VEB, shaping machine tools at the Zeulenroda Machine Tool Factory VEB and the Aue Sheet Metal Working Machine Plant and Machine Tool Construction;
- Capacities for consumer goods such as the production of Liroflor [trade mark] carpets at the North Malchow Carpet Works VEB, men's wear at the Tanne Clothing Works VEB, color television sets at the Stassfurt Television Set Works VEB, mini-motorcycles at the Suhl Vehicle and Hunting Weapon Works VEB, baked goods at the Eisenach Baked Goods VEB, the Potsdam-Rehbruecke new brewing plant.

By way of expansion and intensification the waterworks capacity rose by 80,000 cubic meters per day. Another 40,000 residents were connected to the central networks supplying potable water.



In the first half 1981 investments for housing construction, education, health and social care, culture, recreation, physical culture and sports amounted to more than M5 billion. The facilities completed and handed over include 20 dual stream secondary schools, 46 gymnasias, 400 student dormitory places, new wings at Nordhausen and Cottbus hospitals, the functional diagnostic wing of the new Chariet Hospital, the FDGB vacation resort at Zeulenroda Dam, the second recreation complex at Binz and the vacationers hostel at Biberau.

Pursued as planned were the reconstruction measures at Academy Square in Berlin, the capital, as well as the reconstruction of the Semper Opera House in Dresden and of the Gewandhaus Concert Hall in Leipzig.

#### IV. Construction

The plan targets were exceeded in every month as the result of extensive competition initiatives by the working people of the construction industry.

Compared with the first half 1980 building output rose by 5.4 percent per working day. The plan was fulfilled to 101.4 percent. The plan advance corresponds to 1.7 working days and was achieved largely without the use of additional material funds. All centrally managed combines of the construction industry and the construction enterprises managed at district level exceeded their plan targets.

Particularly outstanding increases in output and the overfulfillment of plan targets were recorded by the combines Erfurt Construction and Assembly Combine, Weimar Special Construction Combine for Waterworks, Cottbus Housing Construction Combine, Rostock Road and Underground Construction Combine, Halle Building and Sanitary Ceramics Combine, Leipzig Combine for Technical Building Equipment and Dresden Construction Mechanization Combine.

The plan of net production was exceeded while planned basic material costs per M100 building production were undercut. Consonant with the needs of the national economy construction capacities were increasingly deployed to ensure the unity of new construction, modernization, reconstruction and maintenance.

Construction measures in the scope of the industrial ministries emphasized projects of rationalization and reconstruction. The building output of industrial enterprises with their own construction departments rose by 11 percent.

The production of building materials and products of the prefabrication industry met plan targets and exceeded them so as to achieve 101.3 percent. The plan was overfulfilled with respect to important products such as cement, heating surfaces and sanitary ceramics.

Qualitative growth factors were increasingly used. This resulted in another rise in output and in greater efficiency. Productivity rose by 4.4 percent, faster than the plan provided. Transferred to production were 384 introduction tasks arising from the state plan and the enterprise plans science and technology. Scientific-technological efforts emphasized measures designed to lower specific construction costs, cut construction delays and produce energy conserving constructions. The specific consumption of important materials such as cement and rolled steel was lowered by the use of further developed products and technologies. More reserves for faster growth



and greater efficiency are to be found especially in the elimination of different levels of efficiency between combines and in the reduction of prime costs.

88,383 housing units were built from scratch or modernized, 7,866 more than provided in the plan. This represents the greatest ever half year result in housing construction--10,565 units more than in the first half 1980. New construction accounted for 60,384 units, including 7,936 one-family homes; modernization for 27,999 apartments. All districts fulfilled or overfulfilled the plan for new housing construction.

As regards infant and school facilities, 8,806 kindergarden places, 625 class rooms and 45 gymnasias were completed in the first half 1981, thus meeting the plan targets. Finished in the same period of time were 6,344 new creche places, more than the plan provided.

Some kreises either failed fully to meet the plan quotas for new housing construction and the construction of infant and school facilities or did not observe the requirements as to location.

The volume of building repairs and modernization with reference to residential buildings continued to expand as planned. The population contributed to the improvement of housing conditions by its achievements in the "Join in!" competition. In the course of its action "Remodeled and Expanded" the FDJ completed more than 6,000 apartments.

In Berlin, the capital, 8,611 apartments were constructed or modernized. The building services to be contributed to the capital by the districts were generally exceeded. This was due in large part to the young construction workers in the "FDJ Initiative Berlin."

#### V. Agriculture, Forestry and Foodstuffs Industry

By way of the socialist competition cooperative farmers and workers in agriculture, forestry and the foodstuffs industry have achieved satisfactory results toward further socialist intensification and the better utilization of the benefits of cooperation. Agra 81, the traditional exhibition of socialist agriculture, forestry and the foodstuffs industry impressively confirmed the excellent standard of performance.

A larger output volume served consistently to meet the public demand for basic foodstuffs and the needs of industry for raw materials. The cost/profit ratio was improved, and so was product quality.

The plan of state yield was exceeded for all products; more slaughter cattle, eggs and wool as well as more fresh vegetables were made available than in the same period of 1980.

	Fulfillment of the Half Year Plan of State Yield		Development Compared With the Yield in the First Half 1980	
	Percentages			
Slaughter Cattle	104.0		110.0	
Milk	101.8		99.0	
Eggs	106.3		103.1	
		21		

Livestock holdings have again increased.

Livestock  
30 April 1980      30 April 1981  
1,000

Beef cattle	5,753	5,824
Cows	2,114	2,119
Pigs	12,221	12,509
Sows (from first litter on)	972	1,010
Sheep	2,396	2,498
Layer hens (million)	27.5	27.9

Better rearing combined with a reduction in the mortality of piglets and calves enabled animal production to achieve improved efficiency.

A significant contribution to the public supply of vegetables, eggs, honey, poultry and rabbit meat was provided by cooperative farmers and workers with private small-holdings and the members of the Union of Small Gardeners, Settlers and Small Livestock Breeders as well as other small producers.

Spring cultivation proceeded as planned and at a high standard of quality. Summer grain was planted on 648,000 hectares, making a total of 2.5 million hectares. Potatoes were planted on 510,000 hectares, sugar beet on 266,000 hectares and green and storage corn on 365,000 hectares.

The collectives of the agrochemical centers and the workers of the kreis enterprises for agricultural equipment as well as additional manpower from the villages helped the cooperative farmers and workers of the LPG and VEG crop production during planting and cultivation.

Land improvement work resulted in better water availability on 36,800 hectares of agricultural area, thus helping to improve yields.

The working people of the foodstuffs industry achieved a plan advance of 4 days output; compared with the same period of 1980 this amounted to a 4 percent rise.

Forestry workers made available to the national economy 4.9 million cubic meters of timber, thereby fulfilling the annual plan to 51 percent.

Helped by cooperative farmers, additional labor from enterprises and facilities of the national economy and other social facilities as well as volunteers from the general public, forestry workers succeeded in preparing another 1.6 million cubic meters--almost two thirds of the snow and wind damage suffered in spring 1980--and making this timber available for profitable use.

The maintenance enterprises of agriculture, forestry and the foodstuffs industry achieved an output worth M929.4 million. The half year plan was overfulfilled. The working people in the enterprises of agricultural equipment produced rationalization aids to the value of M314 million and thereby exceeded the plan.

## VI. Transportation, Posts and Telecommunications

The transportation system carried 522 million tons of freight. The national economy's transport needs were met. The specific transport expenditure of the national economy declined. The shift of freight from road to rail and inland shipping contributed to the ongoing conservation of fuels and energy.

The railroad carried 156 million tons of freight. Its share in the total volume of freight carried has risen. In the first half 1981 more of such specially important types of freight as coal, metals and scrap were carried than in the first half 1980. Consequent upon the improved cooperation between railroad and production enterprises the utilization of freight cars has risen again.

Inland shipping raised the volume of goods carried by 8 percent, mainly by the improved utilization of hold capacity. The plan targets were exceeded.

Dispatch times for ships were cut in GDR sea ports and the plan of freight transshipment exceeded in all three ports. A total of 10 million tons of freight were handled, involving 0.5 million tons or 5.6 percent in excess of the plan.

Public transport carried some 11 million passengers daily. To further improve passenger services 60 high capacity Tatra streetcars from the CSSR have been added to the rolling stock.

The measures for developing traffic facilities in connection with the housing program were pursued as planned.

Postal and telecommunication services grew by 4 percent compared to the first half 1980. 24,000 telephones were installed, 9,000 more than in the corresponding period of 1980. By now 95 percent of telephone calls are handled automatically.

Television broadcast 86 percent of program hours in color, and VHF radio transmitted 370 hours weekly in stereophonic sound.

## VII. Foreign Trade

Foreign trade turnover rose by 12 percent due to the excellent work of the working people in the production and foreign trade enterprises.

Trade with the USSR and the other CEMA member countries represented the solid foundation of the GDR's foreign trade generally. Foreign trade turnover with the USSR rose by 17 percent. The purposeful realization of the program of specialization and cooperation between the GDR and the USSR served to further determine the qualitative standards and growth rate of reciprocal deliveries by means of research and production cooperation.

In order to deepen socialist economic integration and on the basis of the CEMA Complex Program further measures became effective regarding cooperation in science and technology so as to ensure the stable and long-term supply of raw materials and fuels for our national economy as well as promote international specialization and cooperation.

Economic as well as scientific-technological cooperation with the developing countries was further deepened on the basis of equality and mutual profit.

Exports to the developing countries and the capitalist industrial countries were raised significantly.

The large rise in exports is the result of the efforts of working people in many sectors of the national economy. Export profitability improved. To ensure the challenging goals of the annual plan it will be necessary within the framework of combines even more purposefully to use uniform and comprehensive management of science, technology, production and marketing--including foreign trade--to raise exports and improve export efficiency.

#### VIII. Development of the Material and Cultural Standard of Living

The people's material and cultural living standard was secured and gradually bettered on the basis of the improvement in the national economy's performance.

Housing conditions got better for 264,000 citizens, mainly workers, young couples and large families, because 88,383 housing units were constructed or modernized. In the first half 121,023 children were born.

The net cash incomes of the population rose by M2.0 billion or 3.3 percent. Net earned incomes of blue and white collar workers increased by 3.9 percent, based on performance oriented wage policies.

State contributions from social funds to the housing system and the maintenance of stable rents amounted to M4.5 billion. Another M9.2 billion were spent on safeguarding stable prices for essential goods and fares. Altogether the social funds of the state made available M29.3 billion, 9.7 percent more than in the first half 1980.

Supplies for the public have further improved. Stable supplies of essential goods were ensured and the offer of industrial consumer goods increased.

Retail turnover rose by M1.6 billion to M48.7 billion, corresponding to a 3.3 percent increase. Retail turnover of industrial goods grew by M0.9 billion (3.8 percent) and of essential and nonessential foods by M0.7 billion (2.9 percent). The majority of wholesale and retail enterprises managed further to improve efficiency. Despite rising turnover it was generally possible to lower costs by 3 percent and losses of goods by 6 percent.

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#### Changes in the Volume of Goods Available by Comparison to the First Half 1980

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Meat, meat products and sausages	to 100 percent
Fish and fish products	99 percent
Cheese with high butterfat content	103 percent
Milk	101 percent
Babyfood	103 percent
Cocoa and chocolate products	108 percent
Roasted coffee	103 percent
Wine and champagne	112 percent



There was an improvement in the offer of new and high quality consumer goods, especially for the tasteful furnishing of homes, for easing housework and providing home entertainment.

Increases as per plan were achieved with respect to various products:

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Rise in the Volume of Goods Availability From Domestic Production and Imports in the First Half 1981 Compared With the First Half 1980

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Radios	123 percent
Tape recorders	114 percent
Color television sets	119 percent
Black and white television sets	123 percent
Household refrigerators	103 percent
Household freezers	115 percent
Vacuum cleaners	109 percent
Steam irons	138 percent
Water heaters and boilers	109 percent
Bar elements	110 percent
Car tires	119 percent
Paint	106 percent
Detergents	104 percent
Curtains and drapes	106 percent
Hosiery	107 percent
Men's overcoats	118 percent
Bedlinen	108 percent

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In close cooperation with the retail enterprises, combines and locally managed industrial enterprises have improved supplies of the "1,000 small items in daily demand." The output of replacement parts also rose significantly. This resulted in noticeable improvements in various sectors.

Services and repairs for the benefit of the public grew smoothly. Repairs of technical consumer goods rose by 11 percent, of refrigerator/freezers, washers and gas appliances by 15 percent.

Small tradesmen are largely responsible for this improvement. Production co-operatives raised their services to the public by 4 percent, private tradesmen by 5 percent.

The purposeful application of the best experiences, rationalization and the use of efficient equipment resulted in delivery times being cut and the standard of repairs and services improved in various districts.

Automobile servicing and maintenance for the benefit of the public grew by 105 percent.

As to popular education, further progress was achieved in the curricular organization of the 10-grade general polytechnical secondary school. The perfection of the communist education of school students received particular attention. Material and personnel conditions for the all-round training and education of children and youths improved. In the first half 1981 8,806 new kindergarten places, 881 boarding and residential home places as well as 625 class rooms and 45 gymnasia were taken into service. School meals were provided for 75 percent and milk for 66.6 percent of students. One million students in grades 7-10 received regular polytechnical instruction. To this end 35,900 full-time and part-time instructors are employed in the enterprises.

Socialist vocational education provided an important contribution to ensuring a well trained successor generation in all sectors. All school leavers are guaranteed an apprenticeship or a place in a further educational institution. Among those students who begin vocational training, 86 percent are graduates of the 10th grade of the general educational polytechnical secondary school. The material-technical conditions of vocational training were perfected by the provision of 84 class rooms and 1 gymnasium for local and enterprise vocational schools as well as 1,222 beds in apprentice dormitories. Every fourth apprentice lives in an apprentice dormitory.

Education at colleges and technical schools proceeds on the basis of the new curricula and instruction programs. These realize the principles of the unity of education and training, instruction and research as well as of theory and practice at a qualitatively new standard. Military training and training in civil defense have become firm elements of university studies.

Colleges and technical schools have established closer and more varied relations with combines and enterprises. That helped the more rapid transfer of research results to industry. To improve working, studying and living conditions 400 student residence places and 1,400 lecture hall, seminar and laboratory places were completed.

The staffs of the health and social welfare system achieved more progress in keeping the public healthy. Basic medical care, especially in large cities and industrial conurbations, improved as planned. In the first half 1981 a total of 231 new medical and dental jobs were created. The volume and quality of specialized medical care was expanded as planned. In the first half 1981 700 new beds were provided in hospitals, and 180,000 working people were awarded spa treatments. The 3,800 health care facilities in enterprises looked after 6 million working people, more than two thirds of the total. More protected jobs were provided, allowing more severely and most severely handicapped citizens an opportunity to work. At this time 33,400 such jobs are available. 13,250 physically and mentally handicapped children and youths are in receipt of special education in the appropriate government facilities.

More advances have been recorded in the availability of creche places. In the months January through June 1981 another 6,344 such places were provided. For the benefit of senior citizens and seniors requiring nursing care, 1,704 places in rest and nursing homes were completed, and so were 1,439 in special residential homes.

Physical culture and sports have developed satisfactorily. The inauguration of the sports and recreation center in the GDR capital signified the provision of a new

facility for active leisure; some 18,000 visitors daily use this facility for recreation and enjoyment.

The mass nature of physical culture and sports has become more evident. Millions of people are variously involved in sports which increasingly respond to their needs and demands. The GDR German Gymnastics and Sports Federation increased its social attraction--especially in the enterprises--by the establishment of new sports associations, sections and groups.

Almost all children and youths were involved in the preliminary competitions for the Spartacus Sports Festival and the kreis Spartacus Sports Festivals in preparation of the Eighth GDR Children and Youth Spartacus Sports Festival.

Intellectual-cultural life has become richer. Relations between art and society, artists and party, artists and people are now more solid and productive. Large attendances were registered at, among others, the cultural events carried on on the occasion of the Eleventh FDJ Parliament, the Days of Popular Art in Leipzig Bezirk (in the Palace of the Republic), the Eleventh Festival of Political Song, the Eighth Music Biennial in Berlin, the Dresden Music Festival, the 30th Handel Festival and the Second National Festival of Children's Films "Golden Sparrow" in Gera. Many popular artists provided a valuable contribution to the organization of intellectual-cultural life in cities and communities.

Outstanding GDR theatrical troupes and orchestras toured the socialist fraternal countries and nonsocialist countries. On the occasion of the Days of GDR Theater in the USSR Soviet theaters staged GDR plays translated into 18 USSR languages. On its visits to Tokyo and Hiroshima the Berlin State Orchestra and the ballet ensemble of the Berlin State Opera enjoyed much success. The Dresden State Orchestra gave a much acclaimed concert in Paris. The GDR exhibit "Masterworks of German Art from Duerer and Cranach Through the Present" is on show in Tokyo and other Japanese cities through November 1981 and drew 20,000 visitors at the opening. The exhibition "GDR Painting and Graphic Art" was shown in the Paris Museum for Modern Art.

The nurture of the humanist cultural heritage was particularly emphasized. This was demonstrated by such events as the Shakespeare Days in Weimar, the Brecht Days in Berlin, the Handel Festival in Halle and the celebrations in honor of Johannes R. Becker's 90th birthday and the 200th anniversary of Gotthold Ephraim Lessing's death. To be mentioned in particular with respect to GDR cultural policy and its aim to keep and nurture our progressive heritage are the celebrations in honor of the 200th birthday of Karl Friedrich Schinkel.

The retail trade offered 2,800 books with a total printing of 68 million copies as well as more than 8.7 million records and tapes; they contributed to the increasing satisfaction of the citizens growing cultural needs.

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The satisfactory results of the first half of 1981 demonstrate the working people's readiness by advanced performances to contribute to the economic strategy resolved upon by the Tenth SED Congress and oriented to the prosperity of the people and to

peace. To meet the higher criteria of the 1980's it will be necessary even more comprehensively to utilize the great creative potential and the tremendous wealth of experiences of the GDR people for a significant growth in economic capacity, a steep rise in productivity, efficiency and quality. By this means we will ensure the stable growth of the social end product for supplying the public, the national economy and the export trade.

Based on the Tenth SED Congress resolutions socialist intensification and the rationalization of social production must again be consistently pursued as the main means for raising economic capacity and substantially lowering social expenditure. The main necessity is even more effectively to link the benefits of socialism with the achievements of the scientific-technological revolution.

As regards the management operations of government and economic organs it is imperative to encourage the creative activism of the working people in the socialist competition in order all-round to fulfill the economic plan and discharge additional obligations. By their creativity and efforts the working people make a vital contribution to the further pursuit of the main task in its unity of economic and social policy, to the stable and successful advance of socialism in the GDR and to the realization of the policy of peace, detente and disarmament.

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FINANCE MINISTER ANALYZES ECONOMIC POLICY

Budapest VALOSAG in Hungarian No 6, 1981 pp 1-13

[Interview with Finance Minister Istvan Hetenyi, by Istvan Lazar; date and place not specified]

[Text] [Question] While economic growth has slowed down--for reasons that are partially common and partially different--in both the capitalist and the socialist countries, it seems that Hungary's prospects of growth are limited within a range of 0 to 4 percent a year. In your opinion, is economic growth feasible only within this narrow range? And if so, should we strive for the maximum growth rate or would it be more appropriate to remain cautiously at zero annual growth rate?

[Answer] First of all, a range of zero to 4 percent annual growth is by no means a narrow one. The lower limit would mean maintaining our present level, while the maximum--compounded annually--would mean dynamic growth in the long run. Today, very few countries in the world would be able to sustain a 4-percent annual growth rate over a period of many years. Thus I regard the indicated range as indeed wide. Actually economic policy can anticipate narrower limits for the coming years, and there is nothing peculiar in this. We would be proceeding from zero upward. I am not a pessimist to believe that we are able to sustain only an annual growth rate of zero. But I am also reluctant to speak of a growth rate of 4 percent. Not as if a person could not wish for a 4-percent annual growth rate, and by the same token he could also wish for 5 or 6 percent. But I think that the assumption of a growth rate similar to the former one would distract attention from what is actually involved, and from what we must strive for. It is not by accident that the Sixth Five-Year Plan calls for increasing the present low growth rate of 3 percent, and I regard this as a very ambitious task, one that will be by no means easy to fulfill.

A truly interesting dilemma of economic policy is what questions have to be solved to attain sustained balanced growth. There is the old story, which since then has matured into a proverb, about the mechanic who repaired a car with a single blow of his hammer and charged 101 pengos: 1 pengo for the blow, and 100 pengos for the knowledge of where to strike the blow. I have worked for a long time in the National Planning Office, and my economist friends often raised the following question about us: were not the

plan and policy that regarded growth figures as the sole yardstick for measuring objectives and success excessively quantity-oriented, and did not the efforts to attain a higher percentage result in stepped-up or, crudely put, overstrained growth and increasing tensions? I always thought that we should set stepped-up tasks, although this adjective is perhaps not the most appropriate one and has become fairly discredited. Let us speak instead of ambitious tasks: tasks that are truly challenging, ones whose results do not merely fall into our lap but correspond to what we may express as socialism's potential. It is the task of economic management, and directly of planning, to aid, urge and stimulate the possibly most effective development of this potential. We cannot be satisfied with living unpretentiously, taking care only to avoid rocking the boat, plodding along somehow or other.

But the problem is actually what we have to stimulate or step up. Where do we have to strike that blow? And do we have to strike a blow or adjust? Or perhaps the car has not broken down, and we only need to know how to operate it? Physical force, the direct method, is not always the most effective. We cannot contrast the untenability of a high growth rate with a low growth rate resigned to low performance. This is not what the present, lower growth rate reflects. Present conditions--the state of the world economy, inadequate competitiveness, etc.--require the solution of very great tasks. If we are unable to solve these tasks, then the price of restoring equilibrium--under foreseeably favorable conditions--would be declining production and domestic consumption.

Let us go back to the planning and management of economic growth. In order to be dynamic, we neither should nor have to press for growth in its quantitative form, directly and everywhere. Instead, we have to stimulate those factors that are the foundations of the entire economy's sound growth: efficiency, structural change, and profitability. If we aspire and press for these factors everywhere, then the feasible and necessary growth will follow naturally. Here I have in mind primarily warranted insistence on a sensible price system and financial system.

[Question] The final outcome today, however, is probably a low figure. Public opinion tends to assume in such cases that the new growth rate, regardless of its internal content, also means a slowdown of the improvement of the individual's prosperity. And to some extent the public is not alone in forming such a picture spontaneously. There have been warnings regarding a more cautious development of our policy on the standard of living: maintenance and consolidation of the attained level, rather than a further rise, is the sensible objective, at least for the next few years. What I wish to ask you now, however, is not whether there is nevertheless some hope of a faster rise of the standard of living--because I do not believe that there is--but to what extent is it warranted to link the economy's growth and the individual's prosperity.

[Answer] This is warranted only partially. It is undeniable that less growth can provide for less. This is simply a matter of two times two equals four. The problem in the immediate future, moreover, is not that a

3-percent rise in income will suffice only for a 3-percent rise in the living standard. The new plan also tells us that from the planned 3-percent growth, under the expected conditions, only a 1-percent increase in consumption will be feasible, because it will be possible to increase domestic expenditure only by 1 percent a year. The difference will be needed to improve the equilibrium of our foreign trade, to compensate for the expected worsening of our terms of trade. Thus another internal constraint of our new plan is that not even the entire attainable growth rate can be used for domestic expenditure. There are, of course, many transmissions between the individual's prosperity and the entire country's economic advancement in a quantitative sense. Although I do not think that it is particularly apt to refer to this here, I do have acquaintances with high incomes who are not happy at all, while others are less better off financially but are nevertheless satisfied. An important role is played here by the fact that an individual's well-being is influenced also by numerous factors of a nonmaterial nature. Much depends on the collective at the workplace, on the atmosphere, on whether meaningful expressions of opinion are possible and worthwhile, and on the extent to which advancement depends on ability and performance.

[Question] I had primarily economic well-being in mind.

[Answer] And I have "misunderstood" you intentionally. It is fairly common in our society that the aforementioned factors are the principal causes of dissatisfaction. The fact that economic advancement and the development of consciousness are not in harmony is also the cause of many problems, and even of distortions. When there is a difference in either direction, it is difficult for both the individual and the community. Cases in which someone is far richer than his consciousness provide the best topics for articles in ELET ES IRODALOM; And if some one is far poorer than his consciousness . . .

[Question] That again provides the best topics for articles in ELET ES IRODALOM . . .

[Answer] . . . he painfully feels all the things that are lacking to make his life meaningful. But let us return to economic well-being. It is certain that our possibilities will be limited. However, we will be able to speak of progress if we put to practice what Comrade Kadar said about this, i.e., whoever works will prosper.

[Question] In recent years, more often than not, fulfillment of the production targets fell short of the plan, while the outflow of income exceeded the plan. Now, in the interest of economic equilibrium, we should control this more strictly, if we succeed in doing so . . .

[Answer] Although I do not wish to deny by any means that we do have such day-to-day problems, I am nevertheless confident that this will be successful. In the long run there is no other solution. Indeed, the statistics for 1975, and subsequently for 1977-1978, showed that more income flowed

out than what was produced in real terms. But in 1976, and again in 1979-1980, we were able to achieve that distribution and production were more or less in harmony. And no special innovations had to be invented for this purpose. It was sufficient to put into practice what we had already announced also in 1978, among other things. The task, then, is not insoluble, and I hope that public opinion today will provide a more favorable foundation for the solution of this task than it did in the early 1970s. Perhaps I am not being naive when I think that people today are more inclined to evaluate the situation objectively and to adjust, are quicker to condemn abuses and waste, and are more willing to act in matters pertaining to economic progress. This is the fruit of our policy in recent years, but it alone will not preserve itself forever; our policy must advance day by day, in order to fight for sound views. Actually the problem is how we can do this while simultaneously strengthening the factors of economic development. I said development, and not growth. Will we be able to link the outflow of purchasing power to performance, in such a way that a warranted increase in performance, and differentiation on the basis of the work performed, will be reflected in incomes, through some transmission. In other words, will we be able to regulate through incentives while controlling purchasing power; or will regulation be one-sidedly restrictive in the sense that even good initiatives will be curbed, while perhaps the unfavorable initiatives will be allowed to survive. This is something that will not be apparent from one minute to the next. Consequently the danger exists that we may forget about this to some extent when debating the given problems. If equilibrium is so important, the temptation is great to take away primarily from the efficient, from the ones that have; but if we place emphasis on stability in partial areas and take society's partial interests one-sidedly into account, then good intentions might lead us to give also to the ones --and here I have plants in mind, and not social policy--where there will be no suitable return. Herein lies, in my opinion, one of the key questions of economic policy.

[Question] If we would like to pay for good performance with an essentially unchanged or only slightly increasing outflow of money, then bad performance should not be accepted and should be penalized. But this raises the question of the stricter separation of economic policy and of social policy.

[Answer] More accurately, this raises the question of separating profit distribution and wages from social policy: let social policy be more "sociopolitical"; and earned income, more "economic." And I would like to add one thing more to this. Much is being said about wage differentiation. But if the question of differentiation arises only in the sense of whether there should be greater differentials in wages and earnings between assignments, occupations or performances, then wage differentiation will not get us far. Perhaps it will not be surprising if I call attention to the fact that we are speaking of differentiation on the basis of the work performed. Nor will it be surprising that I see the essence and timeliness of this question mostly in comparable work, in the case of workers assigned to similar jobs. But perhaps it will seem strange to some if now, in



conjunction with differentiation, I would like to emphasize also a seemingly conflicting proposition. Namely, it is not in society's interest to have within a given occupation individuals with high performances getting high wages, and also individuals with entirely low performances getting small wages. The lot of a bad teacher should not be a low salary; he should seek other occupation. What do we achieve if the operator of a machine worth several million forints gets 50-percent pay for 50-percent performance while causing an immense dropout in income? Thus differentiation does not solve anything without the application of the principle of the right man in the right job. Or more exactly, differentiation is good if it helps to assert this principle. We sometimes hear that the greater the differences in performances and wages, the better our wage policy. Whereas we should never assign a person to a job for which he is unsuited. It will become clearly evident within a day that a chauffeur or surgeon is unsuitable for his job, but elsewhere it might take longer.

At the same time our social policy should be more deliberate and, in certain respects, more straightforward. The concept of social policy in Hungary is not as mature as it should be. Progress has been hampered somewhat by the old view that the state institutionally solves everything, and thus there is actually no social policy, there are only social benefits. And now the paradox has arisen that society is becoming richer and richer, but meanwhile the tasks of social policy are not diminishing because ever newer demands are being recognized. The principles should be clarified in greater detail, and perhaps the regular services, which some people refer to--in my opinion, incorrectly--as communist distribution or distribution in accordance with one's needs, should be separated from aid that is based on one's social situation. Everyone can find an example within his own circle. As a university student, my daughter was in category 6, until she got married. At that moment she advanced to category 2. Actually nothing changed in her social situation, she continued to live where she had been living, etc. And yet she jumped four categories in her classification. Or another thing: in my opinion, the urgency of raising family allowances for young couples is quite different when the two parents jointly earn 5,000 forints a month than when they earn 15,000 forints. There are arguments why the family allowance should be the same in both cases, but I don't think it should remain equal forever.

[Question] The main argument is that smaller family allowances for families with higher earnings would mean a certain retraction of the principle of pay commensurate with performance. Assuming that good earnings are based on high performance, we would be penalizing the diligent worker if we were to reduce his family allowance.

[Answer] To the contrary, I would say that we would be providing more aid for those whose earnings (incomes) are not high. This is social policy, and I do not regard a simple continuation of its present system as necessarily correct. Incidentally, I see some progress here: care for the multiply disadvantaged. It may not sound nice, but at our present level of

development we should say that a person with only one disadvantage should bear it or overcome it, because we can hardly give him more aid than at present. Today we can significantly improve the situation of persons with more than one disadvantage, be it health, age, place of residence, etc.

[Question] Up to now we have discussed domestic expenditure--which must remain below the growth rate--only from the viewpoint of the population. But our tasks include also the curtailment of investment. Here again the magic word is differentiation. Yet, many persons are concerned that the curtailment of investment will partially limit future possibilities.

[Answer] Depending on the objective conditions, investment is again something of which it can be said that it is good if more is invested, but it is not necessarily true that the more investment the better. So far as the future is concerned, let us distinguish productive and nonproductive investment. What we are unable to solve in the latter category is a problem of not only the future but of the present as well. Or we could use Janos Kornai's apt classification which states that anything we cannot afford is either a sacrifice or a postponement. But it also can be negligence! This is the case when we postponed something that not only fails to happen but will eventually come home to roost. This problem could arise particularly in education, and partially in environmental protection. This is why emphasis is being placed on education, particularly on grade schools, including day-time homes and kindergartens. Educators may not agree with me, but I dare say that the financial limitations and problems will not be greater than the pedagogical ones. What education offers for the future cannot be explained already now with the paucity of material provisions.

In the area of nonproductive investment, the target for housing construction remains significant, and I sincerely hope that it will be exceeded. This is the sphere where I would encourage ourselves to think about the prerequisites for overfulfillment.

Curtailment of productive investment helps to solve our present equilibrium-related tasks, but in principle it limits future development. But this is merely an abstract principle! Today it would be moot to argue whether investment should be increased or reduced by 5 percent. Whereas at the beginning of our interview I pointed out the very great difference between zero growth and a 4-percent annual growth rate, here I could demonstrate that at the end of the plan period, assuming that the completion time of an investment project is 2 to 3 years, there would be no qualitative difference in the stock of plant and equipment in operation, regardless of whether productive investment is maintained at the present level or is increased at an annual rate of 5 percent. By this I do not wish to detract from the importance of this problem. It is common knowledge that the efficiency of Hungarian investment activity is low. There is much waste, and excessive and unnecessary official regulation also add to the costs of our construction projects.

If we could shorten by 20 percent the completion time of our investment projects, this would mean far more than if we were to increase investment at the highest rate realistically feasible. Thus we have enormous reserves, and in this day and age I would not venture to explain to the citizens that their real income must be reduced so that we may slightly increase our productive investment that is being realized slowly and expensively. While the economy was growing at an annual rate of 5 percent, a 3- or 4-percent growth of consumption was acceptable. But when real wages are stagnating, stepped-up productive investment becomes unjustifiable at the present level of work in capital construction.

Concerning selective development, nowadays everyone is in agreement with this but thinks that selectivity means the realization of good proposals --of his own good proposals in particular--and the rejection of bad ones. But the essence of selection is not simply this. We can never advocate a development policy that allows both good and bad projects. This could not be done--or occasionally should not have been done--even in the period of extensive industrialization. Real and true selectivity is when we have to choose between the good and the good. We must assume that in many production sectors--particularly in manufacturing industry--there are more proposals than can be realized. Too bad if this assumption is false, but then nobody should argue for more investment.

Therefore let us assume that there are good proposals, and that development is selective when we realize that in a country of the size of ours it is not possible to realize every good proposal, for financial reasons as well as marketing considerations, because the overwhelming majority of the good proposals in Hungarian manufacturing industry require gaining a large export market. Selectivity is necessary not only because of the paucity of capital, but also because brainpower is likewise in limited supply, and it is not easy to gain markets. Incidentally, we loudly proclaimed our paucity of capital even when we accumulated 30 percent of national income. Meanwhile a host of countries, on the same level of economic development as ours and accumulating just as much or even less than we did, complain of many things, but hardly of a paucity of capital. We now have a wide production base. The complaints regarding the paucity of capital stem partially from the fact that everyone would like to completely rebuild what we have. Very often they do not even want to modernize--i.e., to continuously develop--rather they would like to build an entirely new production base. In the final outcome this would mean renewing everything, in our present diversification. Simultaneously this would mean several times our present output--and where is the demand and market for this? I regard as feasible only a combination of construction and cutback. But today the part that obviously should be cut back still believes it has gotten a dirty deal and complains of a paucity of capital. Of course, I too admit that the accumulation rate today is modest.

Nor is it rare that an investment proposal is worked out but funds are lacking, and therefore the proposal is shelved, in the belief that it can be dusted off two or three years later. This should not be allowed. As a



result, by the time an investment project actually starts, there is more or less doubt as to whether the project will be able to fulfill the original expectations.

[Question] Development and cutback? Up to now there has hardly been an example of our allowing an enterprise to discontinue operation or to atrophy, not to mention an entire industry. Will we be able to be stricter in the future, or can some automatic mechanism develop that will "implement" this?

[Answer] Nothing can develop in our economy entirely according to some automatic mechanism. When we speak of an automatic mechanism, this only means that we purposefully create certain preconditions and act according to a clear policy. This is not only feasible but also necessary, in order to accelerate such processes. But the idea of atrophying industries, or allowing them to atrophy, is naive or a rare exception, until technology sweeps them away. Industries do not suddenly disappear even in those countries where competition on the domestic and international markets makes itself felt the most keenly. Here we must think not in terms of industries, but in terms of manufactures, product groups or technological groups. Of course, if by industry we mean the production of trucks or of railroad rolling stock, then the situation is different.

[Question] Truck production, or part of it, has ceased in our country. This is specifically one of the rare examples . . .

[Answer] A branch of truck production or a certain part of tractor production has ceased. But these examples are interesting also because they teach us that, when we think in terms of industries or even of product groups, there is something else that we must take into consideration: we should not think in terms of final products. The final-product approach has been fairly typical of entire Hungarian economic policy, and it stems partially also from the planning system. Planning operates with balances, into which it is possible to fit--besides energy, raw materials, etc.--mostly final products and basic materials; planning is less concerned with anything that does not fall into these categories.

Our earlier tractor production was a typical example of selection based on the final-product approach. And what did we experience when production "ceased"? That it gained a new lease on life, in a novel manner, and almost automatically: in the form of Raba-Steiger cooperation. Or another example: Trucks are again being produced, likewise in Gyor. But there is an enormous difference. Previous production was based on a high degree of autarchy, whereas production at present is based on international division of labor. When there is coproduction of parts and subassemblies, the output of final products can have a somewhat wider assortment, and yet production is more efficient than in the case of autarchy.

[Question] When there is an increase in self-financing of investment by enterprises, is there a decline in the proportion of national income that is centralized and passed through the state budget?



[Answer] If the state budget assumes a smaller burden in conjunction with financing production, it can withdraw less income for this purpose. We have already been able to achieve in recent years that even a proportion of so-called state investment is financed with state loans or other credit forms. For example, we are solving partially through credit also state aid to agriculture, and the budget absorbs only the difference in interest.

[Question] When bank loans are used for financing, under our organizational structure do we regard the bank as an enterprise, and not as one of the distributing organs of the state budget?

[Answer] In a peculiar way, the bank is both an enterprise and a state organ. In any case, it is a separate economic entity. But distribution through the bank basically differs from distribution through the state budget. The bank distributes income only temporarily, whereas distribution through the state budget is mostly final.

The budget, of course, has also other tasks. On the one hand there is its classical role of financing the state's social, health-care, cultural, administrative and defense tasks. A prerequisite for reducing the budget's regrouping or redistributing role would be to reduce budgetary expenditure, or at least to slow down its growth. This depends partially on what we regard as budgetary tasks in socialist society. If we think this through, then a radical curtailment of the budget's role can hardly be imagined. There are, of course, some possibilities. In the 1950s, for example, we believed that it was the state's task to finance housing construction and all nonproductive investment, and this became the adopted practice. Since then, experience has taught us that this view and practice are untenable. Although the state still assumes a large share of financing housing construction directly and through credit, this task is no longer borne solely by the state budget.

Social, cultural and health-care expenditures cannot be cut, and their essential roles could hardly be transferred to enterprise or private activity. Education and health care must be basically free. The debate in conjunction with cultural products is common knowledge: should we charge for them and, if so, how much; and which branches of cultural activity could be self-supporting. On the other hand, considerable opportunities exist for more efficient management, for constructive economization. All this, however, can at best slow down the growth of expenditure but is unable to create a new situation. Social-security expenditures also are rising necessarily.

One substantial item whose future is very interesting from our point of view is budgetary aid: so-called current aid for production, and consumer price subsidies. We must strive to reduce both forms of budgetary aid. If we succeed in this, it will then be possible to reduce taxes, budgetary revenue, to some extent. This regrouping role, under which we tax the enterprises on the one hand and aid them on the other, should unquestionably be curtailed. This, of course, is not so simple, because curtailment would mean the dismantling of economic production. Nor is it easier and more

popular to develop sounder consumer prices that better reflect the producer prices, in which case we would limit price deflections to preferences that are truly timely from society's point of view.

[Question] While enterprise self-financing of investment is truly commendable, it is simultaneously a barrier to the development of some of the dynamic enterprises. Under the present regulations, an efficient enterprise soon uses up its internal resources. Thus the diligent enterprise can be "penalized" not only with high taxes, but also by forcing them to finance a large share of their investment.

[Answer] Although I, too, gladly use succinct expressions on occasion, I would hate to see anyone gain the impression that self-financing is some sort of punishment. This would be true if the state were still distributing investment among the plants, and anyone left out from this distribution could regard himself penalized.

This subject gives me an opportunity to point out the changes that have occurred in this area in recent years. As the most essential change I regard the so-called competitive pricing system that has been introduced in most of industry; it measures enterprise performance directly with the yardstick of the world market and forms the profitability of the enterprises accordingly. Here self-financing is combined with the good enterprise's opportunity to earn more income through good work, while the unprofitable enterprise is incapable of self-financing and does not get any state money for investment. On the other hand, the extent of self-financing is not too high. According to our regulations, an enterprise can obtain credit if it has 30 percent of the development cost. Occasionally the bank may partially waive this requirement. In addition to credit, the enterprises that do not have uncommitted development funds can also apply for development-fund grants, and the enterprises that demonstrate high growth rates can avail themselves also of other favorable regulations.

Then why isn't everything solved smoothly and automatically? This is due in part to the fact that the bank does not provide credit automatically, rather it evaluates and selects among the good proposals in every case. Furthermore, it frequently happens that an enterprise, although not unprofitable, is unable to provide the minimum internal resources required, because it has overburdened with earlier credits its forming development fund. This burden can become oppressive if an investment becomes less profitable than expected, or if the enterprise's profit is lower than estimated. But I think that in most cases today the dynamic enterprises' problem is the regulation of earnings, rather than investment. A weaker enterprise, where output and personnel are declining, may perhaps be in a better position to increase average wages than a dynamically growing enterprise that is increasing its personnel. We will attempt to remedy this too.

[Question] You mentioned so-called current aid for production. This is a form of redistribution that is regulated to some extent, yet it seems to be subjective.

[Answer] To me the basic question in conjunction with this aid is whether it is normative or not. In other words, does the state provide this aid for specific objectives and under specified conditions, and is it available to everyone who qualifies--for such aid can serve as an incentive. Or is this aid that one has to beg for, and which very often serves to prolong less efficient production. Here a parable from the Bible comes to mind. As a child I was never able to understand, and instinctively objected to, the parable of the master giving more money to those of his servants who managed well the mina or talent entrusted them, and punishing the ones who did not. Hence the principle: give to the one who has, and take away from the have not. Now, in the light of the mechanism, I understand the parable perfectly. Our principle must be to give money to the one who puts it to good use; in other words, to aid an enterprise only if it has growth potential and is profitable.

When I spoke of who we should give money to, I had primarily development credit in mind. For aid is being granted less and less on the basis of individual consideration, because the normative system specifically wants to reduce the number of individual exceptions.

An essential characteristic of the measures introduced in 1980 is that the overwhelming majority of the aid and taxes, about 90 percent, became normative. Nearly half of the total aid is consumer price subsidy, and most of the aid for production is also normative. The most significant forms of nonnormative aid today are the prices preferences provided in conjunction with the introduction of the new price system, and aid for the modernization of production. However, we are reducing the scope and extent of these forms of aid, year by year. In taxation, the production tax, which is of an individual nature, also has been reduced. In comparison with years past, then, the enterprises that manage large profits receive more aid, and they pay less tax of an individual nature. We have to further reinforce this trend.

[Question] We are living in a country where--due perhaps in part to the traditions of the Austro-Hungarian monarchy, not to mention human nature in general--people particularly dislike to pay taxes. The changes in the conditions of ownership after the liberation radically transformed our tax policy. If we disregard this at present, the view long seemed justified that taxes do not cease in Hungary, and only new taxes are introduced. More recently, however, a series of tax abatement measures has been introduced: inheritance and property-transfer taxes have been reduced, taxes on motor vehicles have been sharply limited, etc. Were these separate ad hoc measures, or are they signs of a new approach to taxation?

[Answer] Somewhere in between. Should I say that our approach to taxation is essentially unchanged? To tell the truth, this topic has not been developed sufficiently. In my opinion, the aversion to paying taxes is fostered not only by views handed down from the monarchy, but also by the practice of the 1950s when individual taxation was regarded basically as a weapon of the class struggle, and thus taxation was associated in principle



with elements foreign to socialism. There is hardly anything on this in the economic literature. More exactly, on taxing the population. For there is a multitude of articles on taxing enterprises and cooperatives. Therefore it would be difficult to formulate a broadly accepted view on what our present approach to taxation is. The classical principle of taxation is that the citizen pays tax on his income and property; the function or justification of this taxation is that the state provides services for the citizen: it maintains public order and provides for national defense, offers health-care and cultural services, etc. These classical budgetary functions are expanding everywhere in the world. Another general principle is that taxation is also a means of levelling income differences. But at present the socialist state sets wages so that they do not have to be corrected by means of taxation. In our country the citizen pays for government services in the old manner actually in the case of inheritance and property-transfer taxes, stamp duties, and administrative fees. So far as the social security, health care and education of wage earners is concerned, all this is provided for them not by taxing the population. But the taxes levied on the population in our country are tools of economic policy only to a lesser extent; mostly they are tools of social policy, when significant nonwage-like incomes and substantial personal property are taxed. In the case of private artisans, small retailers and cooperatives, of course, taxation plays also a role in providing incentives--and occasionally disincentives--for production. But much has yet to be clarified in the theoretical principles of all this.

A small example: Among the abolished taxes you did not mention the tax on sailboats. The underlying principle of this tax was that anyone who owned a sailboat had to be a rich man. Meanwhile, we banned motor boats here and there, and raised the price of gasoline. Then why should we tax specifically sailboats, which do not harm the environment, when sailing is not exclusively a sport of the very rich? We abolished this tax because its purpose and impact did not coincide.

What our present tax system does or does not do is not necessarily its own fault. For the tax system cannot function in isolation from consumer prices, the system of production regulation and the system of social policy. If these three are overdifferentiated, then the tax system too will be necessarily overdifferentiated. And if all three were performing their functions well, we could expect the same of the tax system, i.e., that it perform its own function and nothing more or less. And that it be more uniform. Today it is too tailor-made. In income taxes, for example, we now have general income tax, income tax for intellectuals (payable by artists, attorneys, translators, etc.), income tax on household and complementary plots, with about 40 different supplementary regulations tailored to special cases. Whereas one or a few decrees would suffice: whoever has nonwage-like income must pay tax on it, and that is all. At most we could differentiate in computing the tax base, in accordance with the specific conditions of a profession or trade.



Social policy also could play a role in a more uniform tax system. Here the question may arise of basing income tax on family income, and not on personal income. It is somewhat embarrassing for me to speak of this, because prior to this interview I read the transcript of your interview with Comrade Faluvegi in 1976. Already then he mentioned that we were studying this question. Since then we have made some progress in our studies, but not in the realization of our intentions. To me it is obvious that a tax based on family income could contribute toward the realization of a more consistent social policy. But this requires that we first know what that social policy is whose realization we wish to enhance. A tax system cannot be devised until it is absolutely clear what economic- and social-policy objectives it must serve. There is no autonomous tax system. The tax system is willing to aid in the solution of the problems, if it is clear what these problems are, and what preferences and priorities are associated with them. But it is not so simple "to aid" even then. Changeover to a new tax system raises also very sensitive transitional problems if wide strata are affected.

Here I will revert to the population's taxation, and to the difference in public opinion regarding such taxation. While everyone accepts as natural the proposition in practice that the state supplements the population's income with benefits that take social circumstances into account, the concept that primarily persons with higher incomes contribute toward public expenditure does not gain acceptance at all. On this issue there are extensive references to the argument that progressive taxation makes it impossible to provide any incentive to work. I do not agree with this in principle. We know of numerous countries that have a progressive income tax, and yet the incentive to work is at least as intensive there as in Hungary. Of course, the rate of progression should be sound, because otherwise progressive taxation can truly become a barrier.

[Question] The case of the motor vehicle tax indicates that changes in taxation are closely linked, for example, also to the price system.

[Answer] Yes. We built most of the motor vehicle tax into the price of gasoline. In this way the persons who drives more, uses the highways more, pollutes the atmosphere more, etc. truly pays more tax. With a bit of malice I might say that the best car, from the state's point of view, is the one that is bought--with a hefty turnover tax added--and then pampered on blocks in the garden or garage, where it does not consume any gasoline, does not require parking space, spare parts and servicing, does not cause accidents, etc.

Among the taxes paid by the population there are quite a few that generate so little revenue that they decidedly are not warranted by fiscal considerations. Incidentally, the taxes, duties and fees collected from the population account for merely 2 percent of budgetary revenue, and within this the share of taxes is even less. With taxation, then, we now wish to solve primarily social objectives and reduce social tensions. But we have similar intentions in conjunction with the price system, the financial system and cash

benefits, and administrative work also professes such objectives (for example, in the management of housing). In the final outcome there is the possibility that the many parallel efforts toward identical objectives weaken, rather than reinforce, one another.

[Question] Now that the question of strengthening small and intermediate enterprises is moving from the area of debate and proposals to practical implementation, we already hear about splitting up large enterprises, but hardly anything about founding new small enterprises. What forms could come into consideration so that the newly formed enterprises may continue to be regarded as socialist enterprises? And does the Ministry of Finance have a task, for example, to supply capital for the new enterprises?

[Answer] After discussing the finance of production and of the population, I expected you to ask the minister of finance about the situation and tasks of the state budget, because our most important tasks are in this area. But perhaps enough has been said about this in other interviews, and therefore we can defer this subject until our next interview. However, I do not wish to avoid your questions regarding our activity in conjunction with shaping the organization of enterprises.

The ministry has numerous tasks in conjunction with forming the organization of enterprises. Before discussing the small and intermediate enterprises, however, first a few words about the complementary or second economy, which is attracting so much attention nowadays. The question is what does the complementary economy complement? Or if we call it the second economy, then what is the first one? Within our socialist economy, in my opinion, the first economy is the socialist large-scale plant, whether state-owned or cooperative-owned. But what we learned about the large-scale plant and advanced technology as the basis of the socialist economy has become deeply ingrained in our thinking. This principle has gained such general interpretation as if the socialist economy could be based only on large-scale production and advanced technology. As if the socialist and necessarily large-scale plant or enterprise were the only rational and socially warranted form of solving every task, and everything that did not fit entirely into this form--such as self-employment or even the socialist small-scale plant--were a remnant of the past that should be eliminated as quickly as possible. But experience has taught us that the small-scale plant is warranted, necessary and even indispensable, over a long historical period. But why are we concerning ourselves with this? The primary objective is the population's better supply! Everything that we have done or will do is primarily for the population. Starting out from this principle, we are seeking suitable forms. We are seeking what form of motion to impart for the development and operation of the small plant where such a plant is warranted and advantageous. Can it exist only as a small plant--perhaps temporarily as a part of a larger enterprise--or should it eventually become an independent enterprise? The integration of large- and small-scale plants (or enterprises) offers great opportunities, as this has been demonstrated primarily in agriculture. There is, of course, much

suspicion, particularly in conjunction with the anomalies evident in the distribution of income. But no matter how necessary it is for us to consider small-scale and supplementary plants, I must emphasize that our problems cannot be solved without improving the efficiency and consumer-orientation of our first economy, or of the large-scale plants.

[Question] In my opinion, a significant proportion of the future and promising small-scale plants should be allowed to multiply within the first economy.

[Answer] Here the problem of size becomes intertwined with the problem of sectoral affiliation. If we speak only in terms of size, without taking the form of ownership into account, then I may say that many anomalies stem partially from the fact that the large-scale plant (or enterprise) does not satisfy the demand efficiently everywhere and in every respect. Small businesses often thrive on the large enterprises' shortcomings in management. Consider the supply of spare parts as an example. In Hungary it is possible to conduct very profitably on a small scale many activities that technologically belong in the mass production of large-scale plants, and everywhere else in the world the large-scale plants have completely taken over long ago such activities from the small-scale plants.

At the same time we must not equate the small-scale plant with the private sector, and small-scale activity must not be excluded from the socialist sector as a matter of principle. Thus we must find a viable form for the small enterprise within the socialist sector, and at the same time we must ensure a framework for private enterprise or private economic activity that is consistent with economic and political common sense.

Certain overcentralized enterprises were split up recently. We are studying the problems of the internal operation of large enterprises: incentives, profit and loss accounting, the possibilities for the decentralization of large units, etc. However, mergers also might be necessary. Not primarily of organizations, but of functions. At a number of large enterprises it will be expedient to organize more comprehensively research and development, production, and marketing.

So far as small and medium enterprises are concerned, their role will increase particularly in services. Organized decentralization is proceeding here, because there is nothing in favor of having a single national trust perform, say, all car repairs; a car repair shop, just as it is, should be able to stand on its own two feet as an independent enterprise. And this is also where the justification of private and combined forms of ownership is the most obvious.

The general further development and expansion of the legal and economic system for small and intermediate enterprises also are in progress. However, the forms are only now taking shape. The situation in the private sector is clear: there are private artisans and retailers, there is the system of leasing for a fixed fee, there are the business cooperatives, and also the



special groups. Two of these four forms (the business cooperatives and the special groups) are clearly linked to a socialist organization or have a certain collectivity. Among these, I believe, particularly the cooperative form could be broadened in various ways, on the model of the already existing cooperatives of lawyers, instructors, translators, and architects.

The existence or creation of socialist small enterprises will require considerable simplification of their management, and of their administration in particular. We already have some ideas along these lines. In the selection of managers, for example, a system of inviting applications could be employed the most easily here. The question of income regulation is more difficult. Instead of preferring activities or organizational forms, we should achieve that--under otherwise identical conditions--utility and profitability determine the preferences. We could hardly apply to small enterprises the complicated income regulation of large enterprises.

So far as the capital stock of the socialist sector's potential new small enterprises is concerned, the new enterprises can be formed through split-offs as well as through mergers. At the same time I regard as imaginative also the forming of subsidiaries; this is legally simple, only the large enterprises lack economic motivation to form subsidiaries.

[Question] Experience with the subsidiary forms that came into existence through mergers rather than through founding, in the course of locating industrial plants in the provinces--or rather through the absorption of the work force--has not been very promising.

[Answer] Today there are no subsidiaries. Enterprise independence is a prerequisite for the existence of a subsidiary. In our country today the nearest thing to the subsidiary form that I have in mind is the business association that functions as a separate legal entity. The only difference is that the joint enterprise has several parents, while what I have in mind would be an "illegitimate child": the subsidiary would be a "joint enterprise" founded by a single enterprise. Another feasible solution would be to let the bank found the enterprise and give it a modest capital stock, against which it would then be possible to obtain credit, and thus credit would play the main role in financing.

[Question] In the very first issue of VALOSAG, published more than 20 years ago, you wrote about the general theoretical problems of long-range planning. How have your views changed since then regarding the questions of planning and planability?

[Answer] Without attempting now to systematize in my mind the changes in my views regarding planning, it is certain that in the past planning was more closely linked with the question of finality, stability. In my opinion, conformity to the plan in the economy centers around purposefulness, and this includes the purposeful maintenance of proportions, because there can be no planning when there are disproportions. And if a person examines



today when is it that he acts the most purposefully, he is more aware of changing circumstances than he was previously. Circumstances are more variable today than I had suspected them to be 20 or 30 years ago; new points of main effort arise sooner in the world economy, in technology, and also in politics and in society. Therefore purposefulness today must be rated not on the basis of our ability to predict as much as possible, as far in advance as possible, and as accurately as possible; rather on our ability to include as many objective factors as possible among the opportunities and necessities. One can plan only if the objective conditions, necessities, or at least the probabilities are known; in other words, if there are forecasts, by which I mean predictions of events that will occur with a high degree of probability. I cannot build a plan on something about which I have not the faintest idea.

Of course, if the factor of uncertainty is not essential from the viewpoint of the plan--for example, what the weather will be like on a specific day next summer--this is entirely different than the question of whether we can expect a rainy or dry summer in 1981, on the basis of our present forecasts. When the probabilities are equal--for the sake of simplification, let us assume that two probabilities are equal--and the question is truly significant, then I will act purposefully if I prepare for both variants--I will act this way if this happens, and act that way if that happens--and I also estimate the latest period of time by when I must decide on which horse to bet, which course of action to choose. If I am an even better planner, I also make preparations for how to switch course should the forecast variants change after this decision is made. Planners have not yet been able to solve all this completely. With what I have said above I merely wish to convey that I regard as plan-conforming action not the instructions in a sealed envelope, but how I can preserve my conscious freedom of action when various events occur. To this I would like to add two comments. First, we should not adopt the standpoint--one occasionally encounters it today--that we are the most flexible when we do not plan, because then we can do what we like.

[Question] Isn't this attitude almost nihilistic?

[Answer] The trouble is not simply that it is nihilistic, but that it is harmful to the economy. This would truly be spontaneity, and not market but central spontaneity at that! And the enterprises are already complaining not about their inability to predict the world market or the weather, but about their inability to anticipate the foreseeable changes in the regulators, the actions of government organs. Their demand is justifiable that economic management be more predictable. The point here, then, is not the constancy of the regulators--which would be neither realistic nor progressive--but consistent observation in practice of the principles for the regulators' application as announced in the plan. Thus if a regulator changes quickly because the conditions that it must reflect change rapidly, this is in order. But if the regulators are modified even when the conditions do not change, merely because the economy's managers are improvising, this is just as bad as when the central measures lag far behind the changes in the

conditions. But let us go back to planning. One thing that must be clarified here is the great responsibility of planning to maximally explore the economically relevant future. This is the first, exploratory, forecast-preparing and surveying phase of planning. In this respect our planning still has far to go.

The other question concerns what decisions the plan should contain. In contrast with the standpoint in the 1950s, we should ask ourselves more frequently and more consciously whether we have to plan everything that can be planned. In the past it seemed natural that everything had to be planned that could be planned. This no longer seems so natural to me today. Especially not if I perceive planning as the basis of economic regulation, i. e., if planning is the basis of specific decisions. The plan, of course, does not contain all the specific decisions (the cabinet, for example, meets every two weeks). The plan is necessary to provide a system of objectives and actions, into which specific decisions can be imbedded. The question is what must be decided in the plan, in how great detail, and how far ahead. Our planning has advanced in this respect, as evident also from the fact that today we decide many things not for five years in advance; instead, even within the five-year plan, we make most decisions only for the first two or three years and tend to set limits for the remainder of the five-year period. Here the trick is to decide neither sooner nor later than necessary. Once again I refer, in full agreement, to Kornai who said that good planning and management rely on looking ahead as far as possible, and on making binding decisions only as far ahead as necessary.

As to whether we are able to plan the rate of economic growth accurately. Today we are planning within different ranges. But the question arises whether it is necessary to plan variants. This is again something else. My interpretation of range is that a variation within it does not yet require a change in economic policy: within a growth rate of 3 to 4 percent we may retain the economic policy we have set. And the variant means not two numbers, but two economic policies, two different courses of action. Not on the fundamental questions, of course, but on important details. After all, the fundamental questions of economic policy are determined primarily not by the planning computations, but by the objective possibilities, for example, whether the coming period will be one of industrialization or of intensive, selective development, etc. And if we are planning within a range, it would be more apt to refer to what we are doing as dimensioning. Well, a person does tend to coin a new word, even if he is not entirely certain whether thereby he has solved or circumvented the problem. Occasionally it does no harm to give something a different name, to better convey that the person is at least thinking differently, even though he has the same thing in mind.

To me the essential thing here is that if we anticipate for this five-year plan an annual growth rate of about 3 percent, in other words a cumulative growth of 14 to 17 percent, then we have to dimension our programs accordingly. For example, we will not start a program for the development of the electric power industry that would be necessary for 25-percent growth, nor can we lean toward decisions that would make 14- to 17-percent growth

impossible. Or as another example, in our living-standard policy the state cannot assume any obligations that would not fit within a 7- to 9-percent rise in consumption, but it will dare formulate such economic regulators that will permit a 7- to 9-percent rise in consumption at a 14- to 17-percent rise in production. This is how I interpret the question of rate and proportions: into what dimensions we fit our commitments.

I would like to emphasize that these ideas are not brand new, but are consistent with the development that our planning underwent in recent years. The article you referred to was written in 1958, and many things have happened since then. Planning underwent a change after the 1968 economic reform, and it has developed far in the direction of the mentioned trends. The rapid changes that the world economy underwent after 1974 also reinforced our conviction that these ideas are timely. Thus the Sixth Five-Year Plan, which was approved recently, goes far in anticipating the need of a mutual relationship between the plan and adjustment. But the five-year plans are not the only ones whose nature has changed. Even the annual plan presupposes that operational management is necessary, and not simply in fulfilling the plan's target, but in satisfying the need for action resulting from the processes during the year. Since 1958, on the other hand, long-range planning has advanced, practically as a new element. The long-range plan, by its very nature, serves primarily strategic thinking, and this is where the difference between the plan and a mass of data is the most striking.

[Question] At one time you compared the regulators to traffic signs.

[Answer] By regulation I mean the decision or measure that directly affects the economy. The plan itself does not affect the economy directly, but it serves as the basis of the system of regulation. Hence the system of regulation conforms to the plan. Is this where traffic signs come in? Yes, the task of the regulators is to move the economy in the direction that corresponds to the plan's system of proportions and objectives. But perhaps traffic signs are not an apt comparison. There must be a traffic sign at every street corner. The regulators remind us more of the highway signs that do not issue commands, rather they contain recommendations regarding the route, information about the kilometer distances, and orientation points.

[Question] They do not command, but give alternatives, offer information and proposals.

[Answer] We are accustomed to say: "Let the regulators compel." I am using this expression less and less. There is no regulator that can compel someone to do something if he does not know how to do it. In such cases the regulator can at best compel the impossibility of performance. This, too, can be useful, but it is better to avoid it, in a positive sense. Furthermore, compulsion and creative work are hardly compatible. Many people interpret compulsion as a fixed path. I would prefer to use the expression "to press." This is more than stimulation, because it

includes sanctions, and also prodding. And if a person is unable to produce results even when he is pressed to do so, he should be transferred to a job for which he is better suited. No regulator is a substitute for political and cadre work, and for demanding management. Regulation is bad when it compels a good manager to work badly, but there is no regulation that will make a bad manager work well.

In a certain sense, economic management plays the role of an engine. Although we must always drive at speeds suitable for the given road conditions, it is not entirely the same whether we are driving a large or a small car. And the power of the car in which we ride does not depend simply on regulation. The system of regulation can encourage only what sociopolitical interest confirms and permits. Here there is an opportunity to utilize creative interactions, and also for this reason we emphasize not only the plan-conforming nature of regulation and its traffic-sign role, but also its pressing, active role.

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## NEW NORMS IN ENTERPRISE ORGANIZATION, CONDUCT DISCUSSED

Budapest MACYAR NEMZET in Hungarian 17 Jul 81 p 7

[Interview with Dr Tamas Sarkozy by Tamas Stark: "After the Renewal, Enterprise Forms"]

[Text] A swift change in enterprise organizational forms is an international phenomenon. This can be observed in the commercial association forms of western countries as well as in the large economic organizations of socialist countries. And in our homeland also--the demand for new forms has strengthened in recent times. This is not an isolated Hungarian phenomenon--the "agitation" regarding enterprise organizational forms is closely related to the transformational tendencies in regard to the organizational system for central economic guidance. (In this sphere it is enough to refer to the creation of the Ministry of Industry.)

A research and development association of the Lorand Eotvos Science University, the Karl Marx University of Economic Sciences and the State and Legal Sciences Institute of the Hungarian Academy of Sciences was formed in January of this year and it created a unified economics legal research network. A separate scientific group deals with economic guidance and enterprise organizational research within this research network which embraces internal as well as CEMA and world economic questions. The chief of this group is university professor Dr Tamas Sarkozy of the Karl Marx University of Economic Sciences. We talked with him about the details of the scientific task.

[Question] What role does legal science play in the transformation and study of enterprise structure?

[Answer] Enterprise organizational forms must be established by law in harmony with economic policy goals. At present this is tending toward a legal proliferation of organizational forms. Our task is to develop an organizational "menu", to develop organizational forms from among which economic policy or the enterprises can select the one best suiting the circumstances--on the basis of a judgment of advantages and disadvantages. But I must call attention here to the fact that the legal creation of new organizational forms cannot mean their practical application in the manner of a campaign. The correct procedure is to create a few organizations as an experiment, watch the results and then apply them in a differentiated manner.

[Question] According to what viewpoints do you group the enterprises? What are the new organizational forms?

[Answer] As for the viewpoints, thus far enterprises have been grouped primarily according to property form. Thus there is a distinction between state enterprises and cooperatives which work like enterprises. In addition, after 1967, there appeared the joint enterprise form arising via internal or international enterprise associations. The new forms of enterprises arising via association were adopted primarily in agriculture; their spread in industry continues to be an important economic policy task. This should be better supported legally also. In addition, there should be an increase in the significance of enterprises which can be established by social organizations and associations. One might consider giving financial institutions the right to participate in associations, making it possible to establish and cooperatives to establish independent, daughter enterprises. This could be one path for the decentralization of larger enterprises--a factory unit would receive an independent legal personality and appear independently on the market.

[Question] What changes will the new organizational structure produce in property forms?

[Answer] In the future, the property form cannot be the only or primary way of determining enterprise status. In forming the enterprise structure of the future primary significance must be attributed to enterprise size, enterprise function and the method of founding it. Of course this includes the economic significance deriving from these factors. In our property form theory we must approach in a more differentiated manner state and cooperative property and several new theories have developed in this regard. It is progress that since 1977 we have recognized association property as a secondary property form. In some foreign socialist countries they have institutionalized the independent property right of social organizations also, and a scientific debate is taking place concerning international socialist property rights. In my opinion we can expect a qualitative leap in property right theory in the years ahead.

[Question] To what extent do present legal regulations favor the development of the new enterprise forms?

[Answer] The legal regulation now valid is sufficiently flexible and open toward the future. Both the state enterprise law and the law decree concerning economic associations make it possible for the Council of Ministers to institutionalize new enterprise and association forms. This happened, for example, in the case of agricultural industrial associations, research-development-production associations and food industry offices. So there is no legal obstacle--after laying the appropriate economic policy foundations--to the creation of such enterprise forms as bank enterprises, daughter enterprises or small enterprises.

[Question] According to many the enterprise regulations are complicated and excessively bureaucratic in regard to small undertakings. What might be the solution?

[Answer] The regulations were necessarily modeled on the medium enterprise. It is natural that these regulations have a bureaucratic effect for enterprises with substantially fewer workers than average. The enterprise structure of a country is

healthy if one can find in it various forms of large enterprises with a modern internal mechanism, medium and small enterprises and small undertakings as well. No one form should be put in the foreground to the detriment of the others. In the interest of this the internal mechanism of trusts and associations should be modernized in their legal aspects also. One way to do this might be to reclassify some large industrial enterprises as trusts or to create--as a new form--enterprise coordination centers. It is also essential that the large enterprises create around themselves, by means of lasting contracts, a network of small enterprises. This will lead to well ordered cooperation without superfluous mergers of small units and without producing autarky. I should note that a small enterprise is one thing and a small undertaking is another. Although there is a debate among economists about this I feel that it is justified to institutionalize the small enterprise form in the sphere of state enterprises, cooperatives and associations alike. The small enterprise is a legal person; in contrast to this it must be made possible for citizens to engage in small undertakings in the form of an association contract without legal personality. We might also call these economic work communities. A contract form for economic work communities is available already; their financial, state administrative and labor affairs integration can be expected in the near future.

[Question] According to some experts the "most vulnerable" point of the present economic mechanism is enterprise leadership. According to many the regulation of the status of the leaders does not encourage enterprise and risk taking.

[Answer] At present enterprise leadership is excessively tied to public administration; the judgment of it is uncertain and does not take place according to entrepreneurial criteria. Sociological surveys done among directors prove that the majority of the leaders are used to public employee behavioral forms and not to managerial ones. There is a growing recognition that there must be a change in the legal standing of enterprise leaders but for the time being a solution to the problem is in the experimental stage. But it can be said already that the legal standing of the leaders must be different for the different enterprise types; the present uniformization cannot be maintained in the future. The relationship of one-person and collective leadership is being re-evaluated. In the large enterprise sphere we must definitely increase the decision making role of director's councils and supervisory committees. In regard to the legal standing of enterprise directors, we must develop clearer, less ambiguous judgment criteria. Without this it will not be possible to establish realistic enterprise leadership responsibility. One method might be appointment for a definite term via competition. The role of the enterprise collective might be increased--differentiated according to enterprise type--in the selection of the person of the director and, especially, in judging his activity. But if we increase the responsibility of enterprise leaders we must increase the protection of their interests also. It seems appropriate to solve this within the framework of the Hungarian Chamber of Commerce by means of the enterprise interest representation system now being developed.

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## REGULATIONS IN CEMA TRADE STUDIED

Budapest ALLAM ES JOGTUDOMANY in Hungarian No XXIV/1 81 pp 109-133

[Article by Ferenc Madl: "The General and Special Tools For Regulation of Foreign Trade Deals in the European Socialist Countries"]

### I. Concerning the Function of the Tools of Regulation in General

1. Concerning the tools used and their role. As part of a larger research plan, the preceding chapters of this work (not published here) tried to offer a comprehensive picture of those principles, that organizational and sphere of authority structure and that strategy in which the external economy and foreign trade policy of the European socialist countries functions--through the mediation and use of the appropriate legal regulation. The picture outlined extended to such new, we might say logistic, foreign trade movement forms, or more correctly external-economic-movement forms, as mixed international enterprises and investments and foreign-trade cooperation and specialization agreements and contracts.<sup>1</sup> What now remains (and what is the subject of this study) is to provide a comparative legal examination of those tools with which the several countries, or their foreign-economic systems as a whole, supervise, influence and concretely form the several external economic movements, or concretely the several foreign trade deals, while the entire mechanism, that is the external economic mechanisms of the several countries, is in operation. This regulating mechanism of state supervision, influence and formation is frequently mentioned in the literature and in practice simply under the name of the regulation of foreign trade. But it must be seen that this is only a small part of the regulation of foreign trade if we look at the state system regulating the formation of external economic processes as a whole. It must be emphasized also that this specific area of regulating foreign trade deals is not intended to signify the civil-law regulation of foreign trade deals, thus we do not mean which domestic or international legal norms are the guide for the several types of foreign trade contracts. We are not talking about the law of foreign-trade contracts here. We will be talking here about such regulators for the state supervision, influence and formation of foreign-trade deals as the system for authorizing foreign-trade deals, duties, the tax interdependencies of foreign trade transactions, setting prices in foreign trade and the unique role of foreign-exchange law provisions in this connection in the area of foreign-trade deals as tools for state supervision and guidance.



While the external economy as a whole--this comprehensive and in itself coherent mechanism--is in operation, goods are arriving at the borders of the several countries as a result of thousands of concrete export and import deals, these goods are accompanied by export and import permits, the parties to the deals are requesting such permits, thousands of customs actions are being carried out, countervalue for the goods being delivered as part of the deal is being transferred to the seller, in the course of which foreign-exchange regulations which differ from country to country make their appearance, not even to speak of the fact that there are all sorts of credit transactions for the several foreign trade deals (export credit, insurance for export credit, etc.). In a word, in the course of the functioning of the entire mechanism hundreds and thousands of concrete deals are going through the various phases of their realization and the control system of the entire mechanism, we might say the nervous system of the entire organic external economic system, is having some sort of definite reaction to each one of them and this reaction is the guiding-controlling impulse. These impulses are the final executive organs of the functioning of the entire organic structure.

These impulses, the nature of the tools for their realization and the differences in and number of these tools are parts of the entire organic structure, that is, of the external economic and foreign trade policy mechanism of the several socialist countries. These cannot be separated from the mechanism as a whole, their meaning lies in the meaning of the entire mechanism. This also means that we will get a truly correct picture of the regulating system from this side if, looking at the several socialist countries, we examine concretely the entire mechanism and the functioning of the tools of regulation therein (the impulses) as mutually interdependent processes. This does not mean that it would not be possible to try to outline some sort of model picture, looking at how this regulation of foreign trade deals takes place in the socialist countries in general. In what follows, the chief emphasis will be on what tools are used and what processes are put in operation in the socialist countries in general in order to regulate foreign trade deals in the sense given but, to the extent dictated by the facts, it will sometimes be necessary to emphasize also that this institution or form of procedure is tied better to the foreign-trade regulation system of this country while that institution or form of procedure is tied better to another, thus in a rational unity of the general and the specific a more or less faithful picture can be given about the system of regulation of foreign trade deals as this appears in the legislation and practice of the socialist countries.

## II. General Tools: Permits, Duties, Taxes

2. Authorization of foreign trade deals. (1) The technical-legal aspects of export and import permits can differ. But in regard to their general social and economic, or more generally political, functions and goals they represent most unambiguously and in the most direct manner the above-mentioned role of regulating foreign trade deals. In regard to their purpose and content they are quite homogeneous. They are authoritative tools which serve the realization of the general foreign trade policy of the several countries in the carrying out of the several concrete foreign trade deals. To stick with our above simile, they represent the very sensitive border guard posts of the above-mentioned living organism, the foreign economy as a whole, the ultimate sensory and control or

executive organs of the nervous system of the entire structure. The identity of the international economic policy of the several countries is materialized through them in contractual practice.

How is the foreign trade monopoly, or generally the state planning and guidance of foreign trade processes, reflected in the authorization system? In earlier chapters, we could already have seen those material-legal and organizational tools and structures by means of which the socialist society and state realized the international part of its economic obligations and rights. Part of this is the creation of those economic units which have the task of setting up concrete foreign trade deals and, through them, of serving actual socioeconomic goals in accordance with the plans and economic policy goals which guide this. Another part of this is the development and undertaking of those international obligations and cooperation structures by means of which the national economics of the several countries participate in the international division of labor. A further part of this is the internal economic planning of the several countries and all those economic programs by means of which the several states fulfill their already cited obligations and meet the general national expectations in regard to economic development. So we can say that a part of it is to create those management units which perform concrete foreign trade activity in the interest of realizing the cited plans and obligations. Since these economic units are relatively independent entities and their decisions are determined in part or in large measure by their unique economic microstructural points of view, there is need for the state to use authoritative tools to ensure the realization of concrete goals via the several-enterprise foreign trade deals, namely, to ensure that these deals as a whole serve the cited national economic plans and obligations. It is also necessary that the several enterprises act in the interest of meeting the social obligations of the enterprises, the economic plans and the international obligations—despite all their economic independence, by virtue of and as a result of a number of factors and, naturally, without ad hoc state intervention. Sometimes, however, there may be exceptions to this and one cannot expect every enterprise to recognize in every situation the macrostructural state considerations manifested in the export and import permits. This is, *sui generis*, a state economic task and the enterprises working for and in the interest of these goals naturally expect an appropriate answer from the appropriate state organs. There is thus a synthesis of the enterprise microstructural and the state macrostructural view in which the final word must be spoken by the latter. This is the true function of the export and import permits and of the authorization system in general. Although in regard to every deal requiring a permit in which a foreign partner participates on the one side the acquiring of the permit is the obligation of the domestic partner to the deal, that is, he must acquire the permit to carry out the deal from the appropriate authoritative organ, still in certain cases the foreign partners must also request a permit for certain transactions and can carry out certain actions only on the basis of permits. This is the case, for example, in regard to mixed international enterprises or certain forms of commercial representation; a mixed enterprise has a foreign partner also so the foreign partner, together with the domestic partner, must request a permit to set up the mixed enterprise as a new joint economic unit of the founders and he must take the appropriate steps to record the enterprise; and, as is well known, an appropriate authoritative permit is needed to establish a direct, independent foreign trade representation. In general, however, one can still say that for the

great majority of the permits needed in regard to foreign trade deals it is the domestic partner who must acquire them, whether for export or import, in regard to the given country. So it is clear that if a Czechoslovak or Hungarian enterprise wants to sign a foreign trade contract with a foreign enterprise then the given Czechoslovak or Hungarian partners must acquire from the appropriate Czechoslovak or Hungarian authorities the permit needed to validly establish the contract and carry out the deal. Entirely independent of this is the question of whether the foreign partner participating in the given deal must request a permit for the concrete deal from his own state authorities; this is nothing more than the authorization system for foreign trade deals in the concrete partner country, in general in other countries. In what follows, we will discuss that authorization system which is realized in the socialist countries in general in regard to their own economic subjects.

(2) This tool for regulating foreign trade deals--the authorization of import and export deals--is used in every socialist country in the cited sense and with the cited function in one or another legal form. The chief components of this--according to legislation and the lesson of practice --are the following: (a) the general requirement that a permit is needed for foreign trade deals;<sup>3</sup> (b) this requirement is uniformly valid, that is, it pertains to both East-West deals and deals within CEMA and it pertains to both enterprises and natural persons, if they want to carry out such deals; (c) the domestic party to the deal must request the permit, and it is generally issued by the Ministry of Foreign Trade; (d) technically the permit means that without this administrative law act the goods or other value in question cannot cross the border and--as will be discussed below<sup>4</sup>--even the validity of the contracts in question is a function of this.

(3) If we translate this general function and legal essence of the permits into their technical-legal content-function then we must see that in this respect the laws of the various socialist countries present a rather differing picture. (a) By issuing the permit, the appropriate authorities in every country are declaring that the deal in question corresponds to internal economic policy and serves the international economic obligations of the country. It may happen that they deny a permit to the deal in question because this is justified by the discriminatory foreign trade policy of that country in regard to which the foreign trade deal would come into being and a certain limit on foreign trade deals may be necessary and justified temporarily against the discriminatory policy. (b) The area of barter agreements between CEMA countries is a unique area in which the issuing of permits must be synchronized with the international obligations of the given country.<sup>5</sup> (c) In some of the socialist countries the foreign trade permits are like mirrors or projections onto the foreign trade transactions of the obligatory plans of the enterprises; in such cases permits will be received only if the deal in question is considered to be an appropriate fulfillment of the appropriate part of the foreign trade plan.<sup>6</sup> (d) In other countries this element of issuing permits or of the authorization procedure is lacking. In these cases, what the Ministry of Foreign Trade or other appropriate organ is looking at is primarily the general trade regulations, foreign exchange regulations and other general provisions of law; the appropriate authority will look at the technical-commercial-economic rationality of the given deal only if this is especially justified by a protection of the domestic market or other national interests.<sup>7</sup>



(4) As for the types of permits pertaining to foreign trade deals—disregarding for the moment permits or authorization procedures pertaining to the protection of animal and plant health and other unique permits or authorization procedures—these can be general permits, group permits or ad hoc permits. A general permit means that a certain enterprise can receive a permit to engage in and carry out foreign trade deals in the authorized sphere of activity without ad hoc permits. A group permit pertains to a definite group of goods and means that if some enterprise has a permit to trade in such goods then it can engage in and carry out deals pertaining thereto without ad hoc individual permits.<sup>8</sup> Everything which falls outside of these two categories is the category of individual or ad hoc permits.

(5) The legal nature of the permits is not so much a question of what procedure is used to issue them or withdraw them.<sup>9</sup> What is more important is the effect of the permits on the validity of the several concrete deals. Several views have developed in this regard in law, in practice and in the legal literature.

In regard to the obligations of domestic importers and exporters, the essence of the legal regulation pertaining to them is that they are proceeding legally if they request and receive a permit for their foreign trade deals. Specific provisions according to which the contract in question would be valid in regard to the foreign party only if it had an export or import permit can be found in the legislation of the several countries only rarely. But there is a fairly general view according to which the existence or absence of a permit has a serious effect on the validity of the contract. In the opinion of many, this is a conceptual party of the authorization system because it follows directly from the essence of the permits.

Starting from this conception, some interpret the role of the permits so broadly as to see the permit as an element in the legal standing of the given enterprise, at least in regard to the given concrete deal; this means that without a permit the deal entered into is invalid for ultra vires reasons.<sup>10</sup> In the opinion of others a deal entered into without a prior permit is not invalid in advance because a permit can be obtained subsequently; thus a contract signed without a prior permit is actually a contract bound by dependent conditions, by the so-called suspension condition, which is an institution recognized by civil law.<sup>11</sup> It is indicative of the civil law consequences of a foreign trade deal entered into without a permit that a permit issued earlier can be withdrawn and in appropriate cases this does not necessarily relieve the enterprise of its obligations in regard to its foreign partners.<sup>12</sup> The legislation of some countries, for example, Polish law, expressly provides that a contract without a permit is invalid, that the validity of the contract depends on the necessary permit.<sup>13</sup> Such a legal provision naturally creates an unambiguous situation in any debate concerning the validity of the contract. The relationship between the export and import permit and the validity of the contract could be examined and analyzed from many other viewpoints, especially if we examined separately the practice of the several countries at sociological depth. But instead of bringing out additional theoretical designs it is enough to close here with the following: In a concrete case, the concrete regulations and practice of the given country are always decisive and this is the fact with which those participating in the practice of foreign trade deals must reckon. In general, it will be well to study in advance the effects of the authorization procedures necessary in connection with the given deal.



There are no fewer according to whom the foreign partner also must take account of or "take the blame for" the invalidity of a foreign trade deal entered into without a permit, because the authorization of export and import deals is a tentatively well known institution in both socialist and nonsocialist countries and the foreign partners could have required the domestic partner to acquire the permit--in order to protect the practical goals of the deal and the good faith of the foreign partner. (In regard to general knowledge of authorization procedures, it should be pointed out that, compared to the authorization procedures of socialist countries, the United States has introduced an authorization procedure for foreign trade deals which is a good bit more complicated, differentiated and "refined.")<sup>14</sup>

(6) As we already pointed out above the authorization practice is closely related to foreign trade barter or quota agreements. (a) As for barter agreements and protocols, we dealt with this earlier in detail.<sup>15</sup> In principle, the quotas set down in barter agreements serve the purpose of contributing to and ensuring a growth in barter trade via interstate agreements; in this connection the only role of import or export permits is to declare that the goods delivered represent a realization of the given barter agreement or a "filling" of the quotas set therein. Thus, in principle, the quotas in general do not represent a limit on foreign trade and do not necessarily have any such function in themselves; in the great majority of cases the situation is just the contrary, the states want to develop their foreign trade in the given relationship by increasing the quotas and by means of other state influences. (b) Nevertheless the quota system often figures in the literature and in practice as a limitation on imports in one or another relationship or in one or another country (whatever the reason given for such limitations, there are usually "unfriendly" economic or political considerations in the background). Limiting quotas in this sense are frequently used against socialist countries although this practice is decreasing since several socialist countries joined the GATT.<sup>16</sup> But it must again be emphasized that the use of quotas can also serve the development of bilateral trade and very frequently does so even in the East-West relationship; quotas can be used to achieve an appropriate business turnover and can be an economic policy goal of the given states; in such cases, quotas serve the function of developing foreign trade.<sup>17</sup>

(7) In connection with authorization procedures, one must talk about the institution of so-called general or partial export and import embargoes and about the use of embargoes for political reasons, because they function as a practical part of this. The content and nature of the political considerations can be various--security considerations,<sup>18</sup> the protection of national interests deriving from health considerations or natural catastrophes, a reaction to the censured political or economic behavior of some given country, etc. Some larger capitalist countries have used the latter form of foreign economic policy against certain socialist countries and still do so in part;<sup>19</sup> the socialist countries have used or still use this form of limitation against extreme rightist or racist states and in general use it against states whose governments conduct a strongly discriminatory foreign economic policy against the socialist countries.<sup>20</sup>

3. Duties. (1) In the socialist countries the regulation of duties plays an essential, general role in the realization of the foreign trade monopoly or, more generally, of foreign trade policy. This general role extends to protection of the

human, animal and plant environment and to protection of the national values of the several countries, such as the treasures of art and culture. But the emphasis here is on the general role in the area of foreign trade. As an example, we might refer to the fact that the 1964 Soviet customs code provides as follows in regard to the general role of duties: "In accordance with the provisions of the present code, the customs institutions of the Soviet Union control the realization of the foreign trade monopoly of the state in foreign economic processes, carry out customs measures, take action against violations of customs regulations and fight against smuggling."<sup>21</sup> The preambles to the customs regulations of the several socialist countries may formulate this differently, giving less emphasis, for example, to the foreign trade monopoly (for example, in Yugoslavia),<sup>22</sup> but the essence is the same everywhere: Customs law and customs administration is a part of the foreign trade regulating system of these countries.

The concrete role of customs regulation is that it has an active effect on the price of imported goods--via the tariffs used. Thus its concrete purpose is to have a concrete influence on trade in goods arriving into the country, partly by having an influence on trade itself (for example, thus protecting the domestic market) and partly by having a differential effect in regard to the several concrete goods or in regard to the countries of origin. Another more general function of customs regulation is that it makes possible--by realizing the concrete forms of influence just mentioned--a flexible foreign economic policy, ultimately for the purpose of realizing principles of equality and mutual advantage.

(2) In regard to the weight and significance of duties as an economic policy institution it is justified to make a few preliminary observations. The purpose of this is to contribute to the dispelling of certain misunderstandings--for example, an idea frequently found in Western sources, that duties are actually irrelevant in socialist countries because "state trade (as the socialist countries are frequently characterized in Western literature even in this connection) employs other and much more effective tools in the guidance of foreign trade to control and form the exchange of goods in this framework.

(a) It is a fact that the socialist countries do not use duties in foreign trade within CEMA. It is well known that the barter agreements and protocols are the crucial legal instruments by means of which the socialist countries realize and develop mutually balanced, advantageous and planned foreign trade in their foreign trade among themselves.<sup>23</sup> With the introduction of this structure, duties really were removed as a foreign trade policy tool in the relationships of CEMA countries among themselves. But it is also well known that CEMA did not become thereby a customs union, because it did not happen that the CEMA countries simultaneously introduced a uniform tariff system in regard to third countries (as, for example, the European Economic Community [EEC], in which they not only eliminated duties among member states but also introduced a uniform tariff system in regard to all third countries, as Common Market law, thus becoming a customs union and thus relieving the Common Market countries of the GATT rule of having to give most favored nation status to all GATT member states; the GATT agreement states that an economic association which reaches the level of a customs union is an exception to the cited principle of the GATT, the principle of the so-called most favored nation.)<sup>24</sup> Although CEMA is not a customs union, those concessions among CEMA

countries which are seen as a part of the functioning of CEMA were finally accorded analogous treatment when certain CEMA countries joined the GATT; the GATT took cognizance of the fact in the protocol of admission that those actual concessions which the CEMA countries enjoy from one another as a result of membership in CEMA do not represent a violation of the most favored principle set forth in the GATT if they are not simultaneously given to GATT countries which do not belong to CEMA.<sup>25</sup> On the basis of this, it can be justly stated that the fact that the CEMA countries conduct their trade among each other in a structure developed in cooperation among CEMA countries and conduct their foreign trade within CEMA in accordance with this structure is no less in accordance with the principles of the GATT than, for example, the EEC or any other customs union coming into existence later.

(b) Thus, while duties have no role in relationships within CEMA, their significance is still very considerable in all other relationships.

(aa) In the first place, the customs system and the customs organs of a country constitute an essential element of the commercial border of any country, entirely independent of whether duties are levied on or a customs payment obligation pertains to all goods or only some of the goods crossing the border of the country. The system operates as a general control system in every state and actually represents the commercial sovereignty of the several countries.

(bb) It must be emphasized further that duties are being used to an ever-increasing extent in the socialist countries as an effective foreign economic policy tool. They are used to "repay" countries conducting a discriminatory foreign economic policy, they are used as a preferential tool to increase the export to socialist countries of developing countries and they are used in regard to all other countries as a normal institution for regulating foreign trade on the basis of the most favored principle. All this makes it necessary that tariffs have an effective influence on domestic prices and price setting and that the other tools and measures used not negate this role. Naturally this concrete influence of duties on domestic prices and price setting differs from country to country, but it is generally accepted that the customs system of the socialist countries in this regard is, in the first place, not discriminatory and, in the second place, corresponds to the requirements for joining the GATT.<sup>26</sup> The latter merits attention also because in recent years there have been no few complaints in the forums of the GATT concerning the hundreds of protectionist foreign trade measures and tools used by the developed capitalist countries and in addition the conviction has become rather strong in the GATT that the chief problem in the foreign trade of the world is not so much the duties in the West in the foreign economic contacts of the several countries but rather the series of other institutions used in regard to the development of foreign trade.<sup>27</sup> Of course, all of this does not mean that duties are not a crucial foreign trade policy institution in the nonsocialist countries. All it means is that its weight has changed in comparison with other tools, and it is changing to a significant degree. In the light of this, the criticism of the customs system of the socialist countries or of the other tools used to influence foreign trade is hardly appropriate for those who do so gladly.

(c) Finally, as an indication of the significance of duties, it is worth noting that the socialist countries have joined a number of customs law agreements and have



signed many bilateral customs agreements with other countries.<sup>28</sup> Although not all socialist countries are members of the Brussels Tariffs List Agreement, for example, Yugoslavia, they do employ in practice the principles and rules expressed in this agreement.<sup>29</sup>

(3) The general rules of the customs systems of the several countries differ in numerous details but in most respects they show fundamental common aspects. Among others these are the following: (a) In general tariffs are differentiated according to whether they apply to (aa) developing countries, (bb) countries which accord to socialist countries the most favored principle in bilateral trade, or (cc) countries which do not fall into the preceding two categories.<sup>30</sup> (b) This differentiation makes necessary some form of rational proof of the origin of goods, and proof which is acceptable under the usually applied rational considerations in regard to origin is accepted in the socialist countries.<sup>31</sup> (c) In general, tariffs are established for the goods in question on the basis of the so-called ad valorem principle.<sup>32</sup> (d) It is a rather generally recognized characteristic of the tariffs of the socialist countries that they are "set" at a medium if not low level, which creates any strong preference or protectionist protection for domestic production.<sup>33</sup>

(4) The socialist countries are making great efforts to give real content to the so-called general preference system worked out within the framework of the UNCTAD and the GATT.<sup>34</sup> What is involved in a system of general preferences, as is well known, is that the developed countries should give special foreign trade concessions to the developing countries, for example, advantageous duties, not giving the same concessions to the developed countries, in such a way as not to violate the provisions of the GATT pertaining to the most favored principle; the essence is that only the developing countries should get such special concessions in the interest of developing their foreign trade and, on the one hand, they need not reciprocate these and, on the other hand, the other developed countries should not demand such concessions for themselves on the basis of the most favored principle. The socialist countries generally offer special concessions of various types to the developing countries under the following conditions: The given developing country ensures the most favored principle in trade with the given socialist country for the goods arriving in the developing country from the given socialist country; the per capita national income should be lower than in the socialist country in question; and appropriate proof of origin should accompany goods arriving from the developing country in question which enjoy the preferences.

The preferences actually offered differ from country to country. For example, the appropriate Soviet government decree formulates the general form of a policy of general preferences as follows: "In the interest of developing trade with developing countries...all duties are abolished for imported goods coming from the developing countries of Africa, Asia and Latin America."<sup>35</sup> Other countries establish duties for goods coming from developing countries but in general the tariffs are very low. These tariffs are 30-90 percent lower than the tariffs applying to goods imported in trade conducted in accordance with the most favored principle; in addition, large groups of products are completely duty-free in these countries also.<sup>36</sup> But a series of other forms of preferential support have been introduced in addition to duties. For example, "ensuring very favorable payment conditions for the delivery of complete factories and equipment and in regard to



durable consumer goods."<sup>37</sup> One can also read in legal regulations pertaining to duties that in most socialist countries they have retained the right to take defensive measures in exceptional cases, within legal frameworks and under the general conditions of legal regulation pertaining to duties, among other things by using appropriate duties, with a differentiated customs policy practice, by modifying the preferences offered, etc.<sup>38</sup>

(5) A number of ad hoc and other special concessions are also part of the customs systems of the several socialist countries. While they supplement the above-cited chief structural elements of the entire system, their chief function is a further facilitation of international trade deals, since this is one of the essential aspects of every preference. The list and number of such preferences is large, it is constantly changing, and for this reason it is difficult to give a complete picture of it. The following examples indicate the more important forms: Free ports, small border traffic, special concessions for goods shipped for international fairs, sample goods, vehicles delivering foods, tools and equipment used to build or assemble factory equipment and delivered temporarily for this purpose, re-export, seasonal concessions for special fruits and vegetables, special products for special consumption, such as, special foods and medicines, transit goods, and, to complete the list of examples, those goods which enjoy concrete special concessions on the basis of some multilateral or bilateral international agreement.

4. Taxes. Taxes, where they are used as such, are another important form and tool for a system of regulating foreign trade aimed at forming the international flow of goods and services. Taxes become important in this regard to the extent they are used as a tool under the conditions of the decisionmaking mechanism of enterprises conducting foreign trade activity. Another circumstance as a result of which taxation has increasing significance in international economic relations is that in international economic cooperation there are an increasing number of forms in which foreign enterprises or other economic subjects conduct enterprise type activity in a second country (for example, participating in mixed enterprises or having independent commercial agencies), and as a result of this they are taxed like every other economic subject while they also may be taxed at home for the same economic activity or for the income deriving from this economic activity. As is well known, this, among other things, led to the signing of so-called double-taxation agreements or bilateral interstate treaties in international practice. In the interest of improving conditions for economic cooperation and developing economic contacts, the states harmonize their interests in these bilateral treaties and ensure putting an end to double taxation, under very detailed and precise regulation. Another consideration hiding behind the importance of taxation is the interest of the several countries in aiding by special tax regulations enterprises conducting foreign trade activity to achieve a better balance of their export and import activity, in general to develop their foreign economic activity. Although to differing degrees, these considerations are appearing with obviously increasing weight in the foreign trade of the socialist countries and in the general regulating system pertaining to foreign trade deals. Tax law regulations and the chief forms of taxes in general are built on the generally accepted principle that if some provision of domestic or international origin does not make an exception then every natural and legal person who or which has income in some country must or can bear common burdens in the given country and one general form of this is the system of taxation employed in the given country.<sup>39</sup>

(1) One tool for putting an end to double taxation or uneven tax burdens by means of international legal tools is the various tax law agreements signed by the socialist countries also. The increasing use of these was prompted by the increasing significance of the new forms of international economic cooperation--the purchase and use of foreign patents, enterprise type activity of enterprises in foreign countries including the operations of foreign enterprises in socialist countries in one or another form (as noted above, via independent commercial representation, through participation in joint enterprises, etc.) and exchange programs and the delegation of experts to various areas by agreements aimed at this (employing foreign experts, including assembly workers, guest teachers, artists, etc.).

Let us mention only a few of such tax agreements signed in recent years. The 1973 Czechoslovak-French tax agreement was the first such agreement which France signed on this subject with any socialist country; in 30 detailed and precisely drafted sections it ensures the elimination of double taxation and reciprocal tax treatment of such incomes as, for example, the profit of Czech enterprises in France; it ensures an end to the earlier unfavorable tax situation of the Czechoslovak air traffic enterprise in Paris parallel with ensuring a similar situation for Air France in Prague; the agreement puts an end to double taxation in regard to other commercial incomes, salaries, wages, pensions and income from stocks and bonds, etc.; and the agreement merits attention for, among other things, its legal differentiation, its unambiguous conceptual system and the internal hierarchy thereof, for example, by its construction of such concepts as "tax domicile," "equality of tax treatment," etc.<sup>40</sup>

The 1973 Soviet-American tax agreement also offers very comprehensive and detailed regulation. It was worked out by "the authorized representatives of the President of the United States of America and of the chairman of the Supreme Soviet of the Soviet Union for the purpose of putting an end to double taxation and aiding the development of economic, scientific, technical and cultural cooperation between the two countries."<sup>41</sup> The agreement between the Federal Republic of Germany and Hungary regarding reciprocal practice in the taxation of license fees took a unique legal form, the form of a so-called declaration. According to this declaration, the two states will no longer levy taxes on incomes from patents for those inventors who are domiciled in the other country or have a registered headquarters therein.<sup>42</sup>

(2) Special internal national legislation pertaining to the taxation of the domestic income of foreigners has an especially significant role in relationships where there is no agreement or other intergovernment understanding. One unique and increasingly important area of such legislation pertains to the taxation of commercial representations and joint enterprises.<sup>43</sup> But a tax affairs judgment of other forms of activity in a different sense is also possible and even a practiced reality in some socialist countries.<sup>44</sup> With the development and differentiation of those forms of activity by virtue of which foreign economic subjects earn income domestically, there will certainly be a development of the taxation system pertaining to them also; it is also probable that one element of this development will be increasing support for and strengthening of such forms of economic cooperation.

(3) Another form of taxes used in the area of the foreign economy is the so-called export and import tax as a tool serving to develop the desired export and import

activity of the enterprises. These appear in different forms in the different socialist countries and they cannot at all be regarded as general. One unique form is the tax rebate; the partial or full rebate of the normal income tax or turnover tax of an enterprise can serve to encourage an enterprise exporting under disadvantageous income and economic conditions to continue this foreign trade activity for national economic reasons even if this foreign economic activity would be concretely economically disadvantageous with the application of the general taxation and economic regulation institutions. Another purpose of tax concessions is to encourage foreign economic activity by enterprises which substantially increase their export (the size of such tax concessions will vary by branch of industry and according to the extent to which the export activity of the given enterprise or branch of industry is effective in the light of the price structure of the world market). It is generally understood that such tax concessions correspond to the practice of the GATT in this area. The only difference is in where the concession is realized--at the border, as in most GATT countries (via the so-called Border Tax Adjustment) or in the sphere of production, as in Hungary. An import tax can be used and actually is used in some countries in the case of import deals which would be very profitable for the importing enterprise because of low foreign prices and which would put this enterprise in an unjustifiably advantageous situation as compared to the average or in comparison with all other enterprises. To avoid this situation a part of the special extra income in question is taken off in the form of an import tax. The English-language literature calls such a tax a "windfall" tax, which might be translated into Hungarian as a tax on those "sheltered from the wind." Actually the meaning of the word as it is used involves a very tangible and at the same time bucolic linguistic expressions. What is involved is that if there is a sudden drop in the strength of the wind, a windshelter may be formed and then the seeds whirled along by the original strength of the wind suddenly fall in a greater quantity than general into the territory and lap of him who is well placed, that is, of him who conducts his activity in such a fortunate place for the economic process in question. Well, the advantageous situation created by this "lucky hit" is really extraordinary profit or income and a part of this is drawn off by the "windfall" tax. The export tax is actually the reverse of the import tax which is used in a reversed situation of international price relationship, namely, when the foreign prices are a good bit higher as a result of which the exporter might get into a similarly significant income situation--representing a special advantage in comparison with the average for the enterprises--without the export tax. The export tax serves to balance this partially.<sup>45</sup>

### III. Special Tools of Regulation: Prices, Foreign Exchange Regulations and other Tools

5. Prices and price setting in foreign trade. (1) A few general observations should be made by way of introduction in regard to price setting. Naturally an economically appropriate price structure is of vital importance for every people's economy. As for the prices which have developed and which are developing on the international market, these follow laws which cannot be determined unilaterally, by internal national regulation or legislation, and which, for this reason, can be influenced by the state acts of individual countries only very little, if at all. Naturally the import and export enterprises of the socialist countries do everything to get the best prices on the nonsocialist world market under the conditions



determining prices on this world market. As for the foreign trade price system within CEMA, the prices in this relationship are generally based on the world market price level of the preceding year; the appropriate authorities of the CEMA countries set down the world market prices of the preceding period and communicate them as reference prices to the enterprises conducting foreign trade activity so that their own price practice should develop accordingly in business trade within CEMA.<sup>46</sup> "It can be established concerning the price policy of Soviet and Eastern European foreign trade enterprises active on the Western market," the UN European Economic Committee stated correctly, "that it develops according to regular business practice, namely, in the sense that their prices are adjusted to international price relationships.... The foreign trade enterprises in these countries are independent units legally and financially."<sup>47</sup>

But the chief problem is, on the one hand, the role of world market prices in regard to domestic prices and, on the other hand, the role of domestic price setting in regard to foreign trade contracts, or, more generally, the relationship of foreign prices and domestic prices. Since domestic prices are parts of the planned economy of the several socialist countries, these prices--at fixed rates of exchange--may deviate more or less from world market prices, depending on very many circumstances and with considerable deviations for different goods. There is an opinion abroad, naturally in the nonsocialist countries, that a pricing structure for foreign trade deals which is controlled or planned by the state actually represents a system of subsidies, which would be contrary to the rules of the GATT pertaining to subsidies.<sup>48</sup> In response to this, it has repeatedly been emphasized from the socialist side that: "Price equalization (that is, balancing out the profit or loss deriving from foreign and domestic prices) cannot be regarded as a category equivalent to export supports (subsidies) because in the case of both deficit and profitable deals attention must be paid to whether the domestic price and cost structure deviates from the structure of the foreign price system. In regard to Czechoslovakia, and in accordance with the observation tied to the interpretation of Sect 1, Art VI of the GATT agreement, the question of subsidies for export or of dumping cannot be decided simply by comparing foreign and domestic prices."<sup>49</sup>

In this article, we will not undertake to outline the chief elements of some sort of general price theory system. All that is involved is that to the degree necessary we will provide an explanation of those institutions employed in the socialist countries to influence foreign trade by means of, among other things, the price system and price setting. Before all else, it is worth noting that one essential element of the economic reforms introduced in the socialist countries is exactly to create a more organic link between prices and production costs or, more generally, to see that the economic laws are better realized in the economy and in individual economic operations.

A strengthening element in the views formulating the economic reforms is that increasing the effectiveness of participation in the international division of labor will also require greater flexibility in regard to prices, will require greater reaction speed for socialist price policy in general and in the CEMA relationship as well. "We need to develop a price system," one can read in the pertinent economic literature, "which will make the effectiveness and efficiency of economic cooperation unambiguous and directly comparable in relationships within CEMA and



in general international relationships, in the macrosphere and in the microsphere alike."<sup>50</sup>

As a result of these views and developmental tendencies, the development of domestic and foreign prices in relationship to one another is showing a developmental process of gradual harmonization--although with differing intensity in the different socialist countries.<sup>51</sup> From the viewpoint of what has been said, it might be justified and interesting to refer to one of the fundamental provisions, pertaining to price policy, of the Hungarian reform of economic guidance, one which certainly well illustrates and proves what has just been said: "In the new economic mechanism which realizes an organic link between central planned guidance and the active role of commodity relationships, it is the fundamental function of industrial prices to correctly orient and encourage producers and consumers in their economic decisions. This will aid the rational utilization of economic resources, the shaping of production to solvent needs, the spread of modern products, the development of an economical consumption structure and the balance of supply and demand. Industrial prices will be carrying out their fundamental function if they develop under the combined effect of the following chief factors: the costs of production, the value judgments of the markets and state preferences (for those enjoying economic policy advantages)."<sup>52</sup> The 1980 guiding principles of the government pertaining to economic regulators confirmed this price policy conception of the reform of Hungarian economic guidance introduced in 1968, indeed there was a further development, for we can read in this regard that the orienting role of prices must be further developed so that, on the one hand, there should be an organic link between domestic prices and world market prices and, on the other hand, the central role of profit should strengthen in the enterprise interest structure and, as a result of these things, it should be possible to create a uniform structure of income regulation.<sup>53</sup> This price mechanism actually means that state price regulation will end in the sphere of production in such areas as raw materials, other basic products and semifinished goods in mass production (with the exception of energy prices). The purpose of the free price system in this area is to have prices organically follow world market prices and changes therein. As a result, there will be no internal state or government filters to filter out the changes in foreign prices and the domestic users will feel directly how price increases or decreases are taking place on the world market in regard to the commodity in question. Enterprises may decrease the effect of fluctuations in world market prices and may neutralize them in part by creating their own special reserves from their own resources. This price policy conception --while creating a real economic link between domestic industry and the world economy--means that domestic prices may change several times per year and, if we think through all the consequences, it may also mean (although this price system pertains to producer prices only and does not extend to consumer prices) that foreign price changes may finally have also an effect on the price structure of domestic consumption (naturally, primarily in regard to those products which are not under direct state price controls).<sup>54</sup>

In addition to all this, however, there can be no doubt that even with the reforms already introduced and with the measures which are still to be introduced a substantial role will still be played by state price measures, by those preferential tools which have a role, directly or indirectly, on the development of prices. Making use of these, taking into consideration the national economic plan, is a

general interest and the balanced operation of the income structure and the price system justifies and makes this necessary. In the course of all this--and also because the domestic cost and price balance deviate from the international cost and price structure for the prices in question--there will be a need for state measures pertaining to prices, among other things, in regard to domestic prices for imported and exported products. In the final analysis, this necessity means nothing other than the attempt to create an organic economic link and mutual effect between the foreign market price and the domestic price for the same goods. Thus, in a paradoxical way, what is involved is that the state price measures also serve the same end as the free price systems, which in the final analysis are also state price measures, namely, that there should exist to the degree possible the already often-mentioned organic link between foreign and domestic prices, with attention to the interdependencies deriving from price and cost factors, in regard to domestic prices and in regard to the foreign price for the same product. The measures used in this state influence on the price of goods traded in foreign trade, a form of indirect control, are generally called the foreign exchange multiplier or price coefficient, a conversion factor used to recalculate prices determined by foreign exchanges.<sup>55</sup> Whatever the name or concrete form of these indirect measures or tools to influence prices, their chief purpose is to even out enterprise losses or disproportionate enterprise profits deriving from the difference between foreign prices and domestic prices so that enterprises can carry out their economic activity, including their foreign economic activity, in terms of an organic link between their own economic conditions systems (including price-policy conditions) and foreign prices.

(2) In order to illustrate how these price-generating measures or institutions function in reality it is simplest to refer to the Hungarian foreign exchange multiplier.<sup>56</sup> What does the foreign exchange multiplier indicate or express? Concretely the following: (a) It defines in the national exchange, thus in forints, the average expenditure (cost) needed to produce a unit of foreign exchange (dollars, rubles, marks, etc.), (b) with the given domestic production and price systems, (c) for the given product produced by domestic industry, with regard to the production, trading and other costs thereof, and (d) independent of the rate of exchange defined for the foreign exchange in question in, for example, tourist forints. On the basis of this catalytic role of the foreign exchange multiplier [the terms "valuta arszorzo"--foreign exchange price multiplier--and "kulkeresdelmi arszorzo"--foreign trade price multiplier--are used interchangeably], the bank will pay to the domestic exporting enterprise the forint value thus calculated for each unit of foreign exchange value of the goods exported and, vice-versa, the importing enterprises receive with such a multiplier one each unit of the foreign exchange needed for their import in exchange for their own forint sums. Thus the price multiplier ["arszorzo"] represents that number with which the foreign exchange in return for Hungarian forints; it is nothing other than the foreign trade rate of exchange used in foreign trade. The foreign exchange multiplier is the same for all goods and is actually based on a general comparison or balance of the general domestic production cost of exported Hungarian goods and the foreign price for the given goods. It can be seen from this technical function of the foreign exchange multiplier that its chief purpose is aimed at creating an organic, stable and real mutual effect, in essence an interdependence, between the rates of exchange and the domestic prices reflecting the domestic economic structure. It is not the multiplier but rather the already described institution of tax rebates, differentiated

at the level of individual enterprises, which serves to even out the differing economic efficiency, especially to even out disproportionate deficits, of the several enterprises active in the several branches of industry deriving from differing foreign prices and thus from differing profit possibilities. The price multipliers themselves, and the price multiplier in general, are designed to function for a long time as a stable institution; they will be modified only as a result of justified economic considerations, for example, when considerable changes have taken place or are taking place in regard to prices in the ratio of foreign prices and domestic production costs. Since we have a stable and permanent factor in the foreign exchange multiplier, something the enterprises know and can calculate, they can foresee the profit-producing potential of their export and import deals in their economic decisions.

(3) Thus, as we can see, the price multiplier is a general institution which is not directed at differentiation by branch of industry or by product type. The situation can thus arise that some branch of an industry--there being an identity of general domestic economic regulators for all enterprises and an identity of the price multiplier in regard to foreign trade--may, due to its technical development and high productivity, produce extraordinarily profitably domestically, that is, may produce a unit of foreign exchange at a low price in the foreign exchange area in which it realizes export deals, in other words, may attain a relatively high income for the products exported, because the value of the given commodity on the international market is high compared to the domestic market. If there were not other regulating factors in the price structure in addition to the price multiplier, the given situation and the enterprise in question might get into a preferential income situation which would be difficult to justify economically. Some enterprises in other branches of industry, on the other hand, might be in the reversed situation; because of low foreign prices, the price of producing foreign exchange might be very high and thus the profit of these enterprises would be substantially lower. Theoretically one can imagine many ways to even out this inequality. With the given concrete economic structures and economic guidance systems, the means to put an end to these anomalies are the influencing tools of state guidance suitable for ad hoc application such as tax rebates or other preferences, or tools to even out or limit income. What economic guidance wants to achieve in the area of foreign trade in this way is that the enterprises active in the several branches of industry should have the same chances with the same conditions system in regard to their domestic activity as a whole.<sup>57</sup>

If we hypothesize similar uneven situations in regard to import deals, then the use of other special concessions might contribute to a more even situation. One of these is import price supports;<sup>58</sup> other forms are various tax and customs concessions.<sup>59</sup> In their ultimate effect, this actually represents state aid to the business opportunities of the foreign firms because what is involved is increasing the buying power of domestic enterprises, which they would not be capable of on the basis of their own capacity and possibilities. In sum, it can be said that the various concessions and negative "preferences" taken together are in a sort of balance. In their combined cooperation their function is to aid the balanced foreign economic activity of the individual enterprises and, ultimately, the development of the foreign economic activity of the country.



6. Other special tools. A varying number of other tools and institutions to support (influence) foreign trade are also in use in the socialist countries. Instead of giving a full picture of these, we intend to give a general impression of the nature of the various other tools by means of a few of the more important additional regulating or influencing institutions (there is need for a further analysis of the actual functioning of the interdependent coherent system of such tools used in each country but this goes beyond the framework given here).

(1) A considerable role is played by credit policy, which the national banks of the several countries--in addition to carrying out their banking functions--implement as unique organs for carrying out state foreign trade policy. The financial tools of the individual enterprises (including those whereby they may obtain foreign exchange for deals of such a nature) are frequently insufficient to cover larger deals such as larger contracts serving investment purposes. The way out is credit, a bank loan. In general socialist enterprises cannot solicit foreign credits directly. If they need credit in foreign exchange, they can turn for this purpose to the appropriate domestic banks. From time to time the appropriate governmental organs or national banks of the several countries publish those guiding principles which are to be applied in regard to credit requests pertaining to foreign exchange; in general these guiding principles cover conditions for repayment of the loan and those credit concessions which the various requestors may receive if the significantly increase their export as a result of investment credit realized in foreign exchange; in general these guiding principles cover conditions for repayment of the loan and those credit concessions which the various requestors may receive if they significantly increase their export as a result of investment credit realized in foreign exchange. Naturally, the banks give the credits to the several enterprises under the conditions and terms of concrete loan contracts serving this end. In their decisions pertaining to credit contracts, banks naturally follow the preference system corresponding to the national economic plan of the given period as formulated in the foreign trade plan or foreign trade policy for the period in question. The banks also pay attention to, more precisely they investigate, now the enterprises will use the requested credit within the frameworks of the defined goals of foreign trade policy and, further, whether the economic situation of the given enterprises gives evidence of good creditworthiness.<sup>60</sup>

In order to demonstrate the foreign economic significance and magnitude of credits and credit policy, it is again simplest to refer to the Hungarian practice. The current five-year plan prescribed 900-950 billion forints for development and investments. A significant part of this sum served investments which in themselves have significant foreign economic aspects. But in addition the government made available through the National Bank a credit framework worth 45 billion forints (partly in the form of foreign economic aspects. But in addition the government made available through the National Bank a credit framework worth 45 billion forints (partly in the form of foreign exchange) for enterprise investments aimed at or leading to increasing export or decreasing import (saving foreign exchange). As is well known, the several enterprises could make credit requests against this framework and if the planned investments or other developmental programs in question (for which they requested credit) were considered to coincide with the national economic developmental plan and guiding principles, more concretely if these enterprise investments well served the goals of foreign trade policy, then the



enterprises in question received the credit--on the basis of a recommendation to this effect by a committee of experts. According to the lesson of recent years, 5 large enterprises received several billions in credit while 15 medium enterprises received credit exceeding 500 million and 700 other economic units received credit of a magnitude less than 500 million forints for export-development investments. There is no need to say that such a credit policy practice has a positive influence on mobilizing the initiative and strength of the enterprises, in general on increasing foreign economic trade but also in developing the activity of the enterprises in a direction which corresponds to the national economic policy goals defined in the national economic plan and in foreign trade policy. In contrast to the often heard Western criticism, it must again be emphasized that there is indeed state "intervention" in this tool of state economic guidance, concretely in this tool aimed at guiding the foreign economy, but the goal of this "intervention" is not to limit foreign economic trade or realize some sort of protectionist foreign trade policy; just the opposite, the goal is to increase the export capability of the individual enterprises and thereby of the entire economy which, in the final analysis, means increasing import capability also because every economy, presuming it has a healthy foreign trade, can import on a lasting basis only to the extent that it can ensure this with appropriate exports; not to speak of the fact that the concrete credits which are called on to support investments serving export development in themselves elicit a number of international trade deals because part of the credit offered is foreign exchange credit and by using this in the course of investment, the investing enterprises offer significant orders to foreign firms. This is a good example of the fact that not everything which comes from the state in foreign trade is coming from the "devil" as one would believe on the basis of reading quite a few Western sources.

(2) Insurance for export credits (which in present practice is offered by the banks to the benefit of exporting enterprises) is also a significant tool for supporting and developing foreign trade in regard to those foreign customers who may be capable of buying from the exporting enterprises of a given socialist country only with the simultaneous extension of credit.<sup>62</sup> By referring to the literature and to a strengthening practice, one can certainly say that insurance in this area has an increasing role in the economy of the socialist countries.<sup>63</sup>

(3) Export premiums (financed from special central funds) given to exporting enterprises for a stronger growth of exports also have an obviously significant economic incentive role in the practice of foreign trade deals. This is especially true if a part of the premium is used for individual incentive, that is, is received by enterprise employees who have significant individual merits in increasing the foreign trade activity of the given enterprise.<sup>64</sup>

(4) The so-called import deposit was a significant tool for indirect state guidance when the Hungarian reform of economic guidance was introduced, especially in the initial years. This was intended to be a sort of corrective to an enterprise investment policy which otherwise had become more free (including the use of foreign exchange requested for investments and made available more easily). It was naturally assumed that as a general thing the several enterprises would have appropriately solid financial conditions behind the more significant foreign purchases, that the investments being realized with foreign currency would be economically rational and

that the ability of the enterprise to bear the burden would develop appropriately; but still it seemed justified to guarantee this in a way forced by the state and in a way which could be controlled easily. The import deposit became a form for this; within this framework an enterprise carrying out investments by using foreign currency, thus through import, in addition to paying the value of the import, sequestered a sum corresponding to the import value and placed it temporarily into a frozen account, which it could get back after the lapse of a certain time and could then again treat as its own. The purpose was to assure that the enterprise had available a sure economic background for the investment activity in question for a long time.<sup>65</sup> Again it could be said, as certain critics did say abroad, that this tool also involved a state-protectionist or limiting measure. In reality the opposite is the case. In the first place, the practical significance of the import deposit soon decreased considerably but in the second place there was no need for such insurance of the solid management of the enterprises. But the continued use of the import deposit did fundamentally serve the development of foreign trade and of international economic contacts. The purpose was to have the enterprises enter into import deals behind which there was a solid internal enterprise base; tools serving this purpose could make one stop and think in regard to individual concrete foreign trade deals and could be factors leading to giving up some foreign trade deal, but as a whole they serve the development of healthy foreign trade activity because only enterprises with appropriately solid management and material resources are capable of conducting efficient foreign economic activity on a lasting basis. It is obvious that credits easily assumed without an appropriate economic background would quickly lead the enterprise in question not to the way out it sought but rather into a deadend and thus the same fate would befall those future foreign trade deals for which the given enterprises were trying to lay the foundations with their excessive imports through import deals lacking any restriction.

(5) It certainly serves balanced foreign trade activity if the state encourages the export activity of some enterprise in that it issues the import permit requested by the given enterprise by making an efficient increase in export activity a condition.<sup>66</sup>

7. The more important foreign exchange regulations pertaining to foreign trade deals. What must be said here about the complex large area of foreign exchange law, citing the appropriate sources<sup>67</sup> and as a supplement to the system of regulation outlined above, is actually limited to one question among many. What is involved, or what must be talked about, is one part or chief question of the functioning foreign exchange law which has developed and which is constantly being developed in the socialist countries: What is the status of the enterprises in regard to the foreign exchange income produced by them or in regard to the foreign exchange needed for their operations? There are basically two paths or two sorts of answer to this question in the socialist countries affected.

(1) One is the path and answer of the CEMA countries. The foreign exchange law of the CEMA countries is based on the foreign exchange monopoly of the state. This means, among other things, that the enterprises (and natural persons also) are obliged to report their foreign exchange claims or incomes to the appropriate national banks and offer them for receipt. In regard to the possibilities and rights pertaining to receipt of foreign exchange--taking into consideration also the fact of foreign exchange income earned by them--these have developed differently in the

several CEMA countries. In some countries, the enterprises basically receive the necessary foreign exchange as prescribed by the plan if and to the extent the important deal corresponds to the foreign trade plan. Elsewhere there is a system whereby the enterprises can buy the foreign exchange needed for their authorized foreign trade deals in return for national currency. Partial retention of the foreign exchange produced and making possible free use of it is a significant supplementary, flexible tool for a substantial encouragement of foreign trade activity, especially export; in some countries this pertains to and is used by domestic natural persons having foreign exchange income, in others it applies to and is used by enterprises also.

(2) The other path or answer is the practice of Yugoslavia in which the principle of foreign exchange monopoly is not used but still, compared to countries working with a freely convertible domestic exchange system, there is significant state regulation in regard to foreign exchange. The essential element of the Yugoslav conception is that both enterprises and natural persons have relatively general and broad disposition right in regard to foreign exchange produced by them.

As for the path of further development in this area it is certainly justified to hypothesize--on the basis of developments thus far and on the basis of the general developmental needs of the socialist economy and the need for more effective participation in the international division of labor--that the future will probably bring a dynamic development here. The direction of development will certainly be a function of easier enterprise mobility, flexible and differentiated state regulation and interstate practice, the general development of the economies of the several socialist countries and the development of their world economic role and position. A better development of this function will obviously bring the development of a more mobile and more flexible foreign exchange law system.

#### FOOTNOTES

1. In addition to the questions discussed here, the book extends to a discussion of the following problems: the foreign economy of the socialist countries in facts and in principles; the international conditions system of the foreign economy, foreign trade policy--foreign trade monopoly; the organizational and authority structure of the foreign economic branch; planning in foreign trade; and international investments from contract forms to joint enterprises.
2. The sources: foreign trade laws of the socialist countries and their regulations pertaining to this area (see note 8 below); for details see chapters pertaining to permits by the following authors: Christoforov, (2) Bialecki, Kemper and Maskow, Szasz, (1) Madl (4) and Pozdnyakov (3).
3. It should be noted that there is not allegedly proclaimed and detailed general regulation of the permit obligation in every socialist country although some form of supervision via authoritative procedure is actually used for international trade everywhere. In Czechoslovakia Decree No 62, 1957, of the minister of foreign trade abolished the permit requirement but with the express condition that every foreign trade deal must be carried out strictly in accordance with the export and import plans and the foreign exchange use plans. In the GDR the



the foreign trade enterprises in general acted without export and import permits, with the similar condition that they correspond to the plan; in regard to a number of concrete contract types and types of goods, however, there was a permit requirement for the deals and the necessary customs procedures and permits in regard to contracts signed served this purpose even more effectively (See Kemper and Maskow, pp 210 and following); all this means the functioning of an effective authorization system in practice and more recent legislation only confirmed this (according to this, every substantial foreign trade deal requires a permit but there is no need for a permit in the case of purchase contracts in the CEMA relationship! see "vom 3 oktober 1977 GESETZBLATT, Teil 1, No 32). In Yugoslavia, the government has from time to time a permit requirement in regard to specific goods (for example, for goods listed in the annex to a resolution published in issue No 52, 1974, of the official journal but the government has the right to make use of a permit requirement if the enterprises (organs of associated work) make agreements which are not in accordance with the needs of the social plan (this is set forth by Section 75 of the Foreign Trade Law); in addition every enterprise and other management organ has the obligation to report the signing and termination of foreign trade contracts to the national banks of the appropriate federated republic, which can reject them if the contract does not meet the cited expectation.

4. See below, 2 (6).
5. An earlier chapter of the work, not published here, discussed the question of barter agreements and protocols; their essence, however, is known well enough so that one can certainly understand their role in the above interdependency.
6. In general, this is the view and practice in Bulgaria, Czechoslovakia, Poland, Romania and the Soviet Union.
7. Concerning the Hungarian legal practice, see: Madl, (4) Chapter 5; Szasz, (1) pp 31 and following; and Section 2 of Ministry of Foreign Trade decree No 3/1977.
8. In regard to general or group permits, see, for example: in Poland, the Council of Ministers resolution of 28 June 1973; in Romania, the 1971 foreign trade law; in Hungary, the earlier and more recent (3/1977) decrees of the minister of foreign trade pertaining to permits and, in the literature, Szasz, (1) p 31, Madl (4), Chapter 5, and Bialecki, pp 7-9.
9. The questions belonging to this sphere are, among others: When must a permit be requested, from what organ, where can one appeal in case of rejection (in Hungary for example, one can appeal to the minister of foreign trade, if the rejection did not come from him, Section 3 of Ministry of Foreign Trade decree 3/1977), need the rejection be justified (for example, no in Hungary, yes in Bulgaria and no in the Soviet Union), is there a fee for the permit, etc.?
10. In regard to the ultra vires conception, see, for example, Georgiew (SOCIALISTICHESKO PRAVO, 1968, Vol 5, pp 48-49); Section 17 of the Bulgarian foreign trade law states that "a contract signed without such a permit is invalid." The Hungarian regulation cited in note 7 above makes a similar provision (Paragraph



2, Section 1), although with significant exceptions (deals which do not require a permit are listed in Section 7).

11. See Christoferov (2), pp 34-35; in regard to subsequent validation (convalidation) see the cited GDR and Yugoslav regulations (note 3 above) and the previously cited Hungarian regulation (second phrase, Paragraph 2, Section 1); the GDR regulation makes a definite distinction between contracts for which the permit is a constitutive prerequisite for signing the contract and those where only subsequent validation is required. However that may be, if the subsequent permit is denied then the contract is invalid in this conception.
12. The enterprise could be obliged to pay damages to its foreign partner or could suffer other harm (which follows from Section 12 of the earlier Hungarian regulation cited in note 8 also, although--as the regulation simultaneously set forth--the rejected enterprise cannot request redress for damages from the ministry of foreign trade).
13. As we can see in Hungarian law also in the areas where there is a permit obligation; Polish law exempts from this strict condition contracts signed in the framework of trade agreements between CEMA countries in which cases the permit can be regarded as anticipated (Section 5 of the 1 June 1974 resolution of the Polish minister of foreign trade).
14. According to the 1969 Export Administration Act of the United States (modified in 1972, 1974 and 1977), in regard to a number of goods, countries are divided into seven groups from the viewpoint of export controls depending on where the export is going; the groups are designated with the letters Q, S, T, V, W, Y and Z and this really means discrimination in the treatment of authorization; for example, Romania was in group Q, Poland was in group W and the other CEMA countries were in group Y; from time to time changes are made for trade policy reasons, for example Poland was transferred to category V (see, for details, Lowenfeld, Volume III, pp 14 and following).
15. See note 5 above.
16. In regard to decreasing the limiting role of quotas--in connection with joining the GATT too--see "A Review of East-West Commercial Policy, 1968 to 1973", ECONOMIC BULLETIN FOR EUROPE, Geneva, 25/1974, pp 57 and following: "Quantitative restrictions have been gradually eliminated...either by unilateral decisions by the western partners or by agreed reductions in the protocols of bilateral trade agreements or within the multilateral framework of the GATT." But this did not mean, for example, that the EEC, citing internal overproduction and marketsaturation conditions, did not use very discriminatory and legally very debatable quota limitations against the socialist countries (an unfortunately long list of these can be found, for example, in the EEC JOURNAL OFFICIEL--decree No 109,11970, and the 2 December 1974 resolution pertaining to imports from "state trading countries"). It is a natural phenomenon that the socialist countries sometimes responded in kind to a disadvantageously discriminating quota policy, the legal basis for which is given, for example, in the above cited Hungarian Decree 3/1977 of the Ministry of Foreign Trade; "If any country passes

a regulation or conducts a practice which is contrary to agreements signed with the Hungarian People's Republic or which is injurious in a discriminatory manner to trade with the Hungarian People's Republic then the minister of foreign trade can establish import (export) quotas in foreign trade with these countries," Paragraph 2, Section 4.

17. See, for example, the since then unfortunately failed Soviet-American grain agreement (1975) within the framework of which an agreement between the two governments aided in this way the shipment to the Soviet Union of definite quotas of American grain (TIAS 8206, 2972).
18. See, for example, the COMCON control procedure to control strategic (meaning military) transactions (for a noteworthy source, see Loeber, Volume 1, p 32).
19. See in this regard, Lowenfeld, Volume III, pages 4 and following: "U.S. Political Controls on Trade" and "Closer Look at Export Controls."
20. These are largely government and not ministerial-level resolutions, although the governments can act through the appropriate ministry; see, for example, Resolution No 1400, 8 September 1939, of the Council of People's Commissars, "Authorizing the People's Commissariat for Foreign Trade to limit or forbid export to certain countries," Laws of the Soviet Union, 1939, No 50, Section 403. In Hungary Decree No 3/1977 of the Ministry of Foreign Trade makes it possible, if --as noted above, note 16--some country's legislation or practice is injurious to trade with Hungary, then in addition to using quotas in the same way the minister of foreign trade "can tie the authorization of imports (export) to special conditions, can limit as necessary the validity of permits already issued or can withdraw issued permits."
21. Customs Code of the Soviet Union, Section 1 (5 May 1964, Official Journal of the Presidium, Vol 1964, No 20, Section 242).
22. In general, Yugoslav state guidance and foreign economic policy are discussed in a part of the study not published here but it must be noted here that a state monopoly of foreign trade is not part of the Yugoslav economic guidance conception.
23. See what was said in note 5.
24. This customs union privilege is contained in Art XXIV of the GATT agreement.
25. This has received express formulation in those protocols by means of which several socialist countries have joined the GATT in recent years; see, for example, the Hungarian admission protocol (GATT Basic Instruments and Selected Documents, Supplement, Geneva 1974, pp 3-8).
26. See "East-West Commercial Policy 1968 to 1973" (note 16 above), pp 57 and following; Szasz (1), p 35; and Naray, pp 736 and following.
27. The earlier chapters of the study dealt with this in detail.

28. *Idem.*
29. For the Hungarian practice, see "Hungarian Economy" (Budapest), Vol 2 (1973, No 1, p 23 and Szasz (1), p 36; in regard to the membership and practice of Yugoslavia, see L. Kuus, "Selling in Yugoslavia," published in Loeber, Volume 2, p 360.
30. In internal legislation the sources of regulation are the customs codes and other customs regulations. The chief sources are: in Bulgaria, Decree No 401, 25 October 1968, of the Council of Ministers, Official Journal, No 82/86/1971; in Czechoslovakia, Law No 44, 1974, concerning customs; in the GDR, the law concerning customs of 28 March 1962; in Hungary, Law Decree No 2, 1966, and Decree No 48, 1967, of the Council of Ministers, concerning commercial duty tariffs; in Poland, the customs law of 1975 and the Council of Ministers decree of 28 June 1973 concerning permits and duties; in Romania, Law No 12, 1973, and State Council Decree No 395, 1976; in the Soviet Union, the customs code cited above in note 21 and Council of Ministers resolution No 671, 28 July 1961, concerning the duty tariffs of the Soviet Union; in Yugoslavia, the customs law which went into effect on 26 July 1965; see also "Scheme of Generalized Preferences," a study of the secretariat of the UNCTAD, 1973, published in Loeber, Volume 1, pp 342 and following; Szasz (1), pp 36-37; and Meznerics, pp 538 and following.
31. Szasz (1), p 37.
32. *Ibid*, p 35; but see also the Romanian Customs Code Section 2 and the Bulgarian Customs Code Section 3 (sources in note 30 above).
33. See Szasz (1), p 37; according to Soviet law a number of goods arriving from countries offering most favored status are simply duty free (see Decree No 671 cited in note 30 above).
34. See "Scheme of Generalized Preferences" (note 30 above) and other UNCTAD documents on this subject, Loeber, Vol 1, pp 346 and following.
35. Decree No 1021, 21 December 1964, of the Council of Ministers of the Soviet Union concerning elimination of duties on goods from developing countries.
36. See "Scheme of Generalized Preferences" and other sources cited in note 30.
37. "Scheme of Generalized Preferences: (the chapter on "Other Preferential Measures").
38. *Ibid*, the chapter on "Safeguard Measures."
39. For a comprehensive analysis of socialist tax law, see Meznerics (2), pp 271 and following.
40. For the English-language text of the agreement, see "European Taxation" (Amsterdam), Vol 14 (1974), No 3, published in Loeber, Vol 2, pp 315 and following.
41. See the "Congressional Quarterly," No 31, 23 June 1973, published in Loeber, Vol 2, pp 304 and following.

42. See "Hungarian Economy" (Budapest), Vol 2 (1973), No 1, p 8. In recent years a number of so-called double-taxation agreements (serving to waive double taxation) have been signed in Hungary: two agreements in the CEMA relationship (promulgated by decrees No 8 and 9, 1979, of the Council of Ministers), one with the United Kingdom (Law Decree No 15, 1978), one with Denmark (Council of Ministers Decree No 45, 1979) and one with the FRG (Law Decree No 27, 1979); in this regard see in the legal literature Gyertyanfy and Kiss and Mohi.
43. See the detailed discussion of this in the chapter, not published here, pertaining to commercial representation and joint enterprises (the Hungarian legal source is Decree No 35, 1978, of the Ministry of Financial Affairs).
44. See, for example, the decree of the Polish Council of Ministers of 2 November 1973 concerning taxation of foreign natural and legal persons; this unilateral internal regulation makes tax free the income of those foreign parties whose economic activity "consists of cooperation in building a factory or is to the benefit of any other unit of the socialist economy."
45. For the occurrence of these tax forms see, for example, the Hungarian practice (Berenyi, p 7; Nagy, pp 11 and following; and Szasz (1), p 18) but similar institutions are implemented in Bulgaria (export premiums and export taxes, Official Journal, No 22, 1976) and in Yugoslavia (tax rebates for foreign exchange management and international credit deals in accordance with Section 83 of the 1977 law).
46. For the price system for deals in the CEMA relationship see Csikos-Nagy.
47. See "Report on the UN ECE Meeting on the Organization and Techniques of Foreign Trade" published in Loeber, Vol 2, p 207.
48. Ibid, p 208.
49. Ibid, p 208.
50. Simai, p 9.
51. See in this regard Arsic, pp 84-85; Csikos-Nagy, pp 1 and following; Madl (4), p 5, b, (c); and Szasz (1), pp 16-19; for the theory of foreign trade prices, see Szentes.
52. Resolution No 10.126, 1966, of the Economic Committee (Hungary) concerning the new price system for industry, Section 2.
53. For the guiding principles for 1980 published by the Plan Office and the Ministry of Financial Affairs see Madrasl, p 3.
54. For a comprehensive analysis of the price policy conception appearing in the new guiding principles see Berenyi, p 7. The legal source for the price system described in Regulation No 6, 1979, of the presidium of the National Price Office "Concerning Price Formation Conforming to Foreign Trade Prices."



55. In some countries, the price coefficients differ according to the branch of industry, they are branch-of-industry specific ("Zweigspezifische Bestimmungen zur Einordnung der Importabgabepreise in das Preisgefüge der DDR," Art 12 des Statuts des Ministeriums für Außenhandel vom 9 August 1973; "Richtungskoeffizienten... sollen Unterschiede im Preisniveau verschiedener Wirtschaftszone und Währungsgebiete und Länder annähernd ausgleichen und dienen gleichzeitig der Regionalisierung der Exporte und Importe," Kemper and Maskow, p 195). A similar system is used in the Soviet Union (see the general rules for price coefficients to establish wholesale prices for imported ships, machines, equipment and tools, "Sbornik normativnik materialov po voprosam vnesnei trgovli SSSR," Vyp. 2, chast 1, Moskva, 1970, pp 207-209; see the text in Loeber, Vol 2, p 213). In Czechoslovakia, the adjustment of wholesale prices for exported and imported goods is even more differentiated: "The Price Office will establish as needed the method and degree of determining prices in those cases where the import requires such a state act" (decree concerning price regulation, Section 53, Official Journal, 2 November 1973, No 157). In Bulgaria (according to the regulations pertaining to price regulation, Official Journal, 101/1978, 63/1976 and 50/1977) and in Hungary (see the sources cited in the note below) the price multipliers apply to all of foreign trade in general and do not distinguish according to branch of industry or type of goods.
56. See Bartha and Szasz (1); the legal source of the institution is the resolution cited in note 52 above and the decrees of the Ministry of Financial Affairs 42/1967, 26/1969 and 78/1975.
57. See point 4 (3) of the study above; it must be noted that in Czechoslovakia "subsidies" via tax preferences is not a form used, apparently because the flexibly applied foreign trade pricing methods ("as needed... in those cases," see note 55 above) take their place.
58. In Hungarian law see Decree No 42, 1969, of the Ministry of Financial Affairs in regard to supports for import prices; in Bulgarian law see the source cited in note 55 above.
59. See above, 3 (5) and 4 (3).
60. For the credit structures behind international deals see, for example, the Bulgarian regulation (Official Journal, No 5, 1978), in Hungarian law the guiding principles, No 328, 1971, published jointly by the minister of financial affairs and the minister of foreign trade concerning foreign exchange credit for investments and the guiding principles, No 6, 1968, of the National Bank concerning foreign exchange credits extended to enterprises.
61. Export development investments, MAGYAR NEMZET, 10 October 1979.
62. The insurance extends to those damages (losses) which derive from variations in the rates of exchange and from other risks (for example, those of a political nature), see Meznerics (2), p 573; the insurance extends to investments carried out abroad (to that portion of the property of a Hungarian enterprise which pertains to a foreign enterprise); see guiding principles No 322, 1970, of the minister of financial affairs concerning insurance for Hungarian interests abroad.

63. See, for example, the Bulgarian practice (Dimitrov and Kirchev) but for a comprehensive analysis of the practice of export credit insurance followed in the socialist countries see especially Lehoczky.
64. For the practice of export premiums, see the pertinent Bulgarian directive, No 1 "Concerning Export Premiums" (Official Journal, No 22, 1976) and the Soviet regulation "Concerning Awards to Workers For Quality Production of Export Goods and For Delivery On Time," "Sbornik Normativnik Materialov po voprosam vneshnei trgovli SSR," Vup 2, Chast 1, Moskva, 1970, pp 111-118, Loeber, Vol 2, pp 229-231.
65. A 1968 law introduced the Yugoslav practice of import deposits for import deals for which the importer used credit; for the Hungarian practice see Madl (4), 5, c.
66. This incentive condition is part of the Yugoslav foreign trade regulation for example (Foreign Trade Law, Section 28).
67. See Meznerics (2), pp 573 and following ("Foreign exchange management in the present system of economic guidance; more significant aspects of the changes"); the International Comparative Legal Encyclopedia, Vol XVII, Chap VIII (I. Szilard: "Money and Foreign Exchange in the Centrally Planned Economies"); Kemper and Maskow, pp 192 and following; Pozdnyakov (1), pp 37 and following; Altsuler, pp 11 and following; and Tzvetanov and Semahchristov, pp 1 and following.

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MINISTER NOTES CHEMICAL INDUSTRY SIXTH FIVE YEAR PLAN

Budapest MAGYAR KEMIKUSOK LAPJA in Hungarian Vol 36 No 6, 1981 pp 277-281

[Article by Istvan Kortvelyes, deputy minister of industry. This article is the text of the author's lecture delivered at the 20 February 1981 delegate conference of the Hungarian Association of Chemists]

[Text] Esteemed audience, esteemed Comrades!

I respectfully greet the delegate conference of the Hungarian Association of Chemists on behalf of myself and of the Ministry of Industry, and wish everybody a successful participation.

In my opinion, the time is right for providing more detail concerning the Sixth Five-Year Plan of the chemical industry; indeed, this is the object of my lecture. Parliament has recently approved the law codifying the Sixth Five-Year Plan. Thus, we all know the tasks facing us as well as the major figures involved. Before the discussion it is advisable to consider the factors which guide the developments outlined in the Sixth Five-Year Plan and which determine the possibilities.

The tasks of the Sixth Five-Year plan for the chemical industry are determined by the completion of the Fifth Five-Year Plan, the increase in the demand for chemical products of the national economy, and the accomplishment of the tasks outlined in Party and government resolutions.

In conformance with the goals of the plan for the economy as a whole, the chemical industry was the ~~most~~ dynamically growing sector of industry during the Fifth Five-Year Plan. The gross production value during the five years -- based on preliminary calculations and on a comparable price level --

increased to 134 percent. This represents an annual growth rate of six percent, which is almost twice the growth rate of industry as a whole.

Although the growth rate is lower than called for in the plan law, this cannot be condemned since it reflects adaptation to the foreign-market and internal equilibrium conditions for the most part.

As a result of the limitations of the import possibilities, the growth rate has slowed down in certain import-intensive sectors such as the petroleum-processing industry and the rubber industry. During 1980 we processed two million tons less petroleum than planned. In spite of this fact, there was no major slowdown in the featured products of the chemical industry; as a matter of fact, the growth rate was higher than planned in certain products (ethylene, polyethylene, and soft and hard PVC granulate).

The most dynamically growing sectors of the chemical industry during the past plan period were the petrochemical industry -- as well as the production of basic organic chemicals based on this industry -- and the production of starting materials for plastics, processing of plastics, and manufacture of synthetic fibers. These latter sectors were featured in the Central Development Program of Petrochemistry. During these five years we increased the amount of plastics produced 2-1/2 fold, and the amount of synthetic fibers produced almost 1-1/2 fold. Production of aromatic compounds has increased more than fourfold.

There was a major increase in the production of pharmaceuticals -- this industry sector has a rich tradition in Hungary -- and the rubber industry. The production of pesticides has developed practically into a new manufacturing sector, partly as a result of diversification in the pharmaceutical industry.

Major investments have been completed during the plan period. Let us mention but a few: The second polyacrylic-fiber plant of Hungarian Viscose Works; The PVC [polyvinyl chloride] plant, having an annual production of 150,000 tons, at TVK [Tisza Chemical Combine]; and the new plants of the Danube and Tisza Petroleum-Industry Enterprises. The new, modern, high-capacity synthetic fertilizer plant started up within Pet Nitrogen Works, for doubling our production of nitrogen-based fertilizers. Investments in the processing industry were also successful. They include the construction of the plastic-foil factory for agricultural purposes at the TVK, the construction of the sodium tripolyphosphate plant at Tisza Chemical Works,

the construction of several autonomous plant sections for the manufacture of pharmaceuticals and pesticides, reconstructions of approximately the same order of magnitude, the construction of a plant at Taurus for the production of radial tires for agricultural purposes,, the construction of several tire-retreading plants, and the construction of the plant at KHV [expansion unknown] in Zalaegerszeg, producing cosmetic materials.

The productivity of the chemical industry, at a comparable price level, increased by 41 percent during five years; the corresponding increase for industry as a whole was 26.1 percent. This productivity increase in the chemical industry was achieved while the number of employees decreased by 4.7 percent (representing the elimination of 5,500 persons). Intensification, a basic means for efficiency increase, came into the forefront during the past period. Almost 10 percent of the total investment was spent on measures aimed at intensification. On the basis of preliminary studies carried out in 22 large enterprises we can conclude that developments aimed at a better utilization of existing resources have resulted in increased production representing more than twice of the investment expenditures involved.

Approximately 1,000 new products were introduced by the chemical industry during the plan period. The most important ones among them include maleic anhydride, chlorinated polyethylene, polypropylene, PVC window sashes, various plastic packaging materials, sodium tripolyphosphate, Fundazol pesticide, a new antidote, the original drug Cavinton, and hundreds and hundreds of other pharmaceutical products. It is also interesting to note that we have discontinued the manufacture of more than 1,000 products because they were obsolete, could not be produced economically, or lacked adequate demand. Their total value amounted to 1.3 billion forints. On the other hand, the net price income generated by the approximately 1,000 new products was more than 10 billion forints.

Foreign-trade relations were favorably affected by the improvement in the efficiency of the production in the chemical industry, by the increasingly stressed export-orientation in the investments, and by the modernization of the production structure. While the gross value of production increased at the annual rate of 6.6 percent, the export volume to the ruble area increased by 7.7 percent per annum, and that to the dollar area increased by 22 percent per annum.

Insofar as the increase of the export volume is concerned, the primary goal was to increase the percentage of products which could be produced economically, which required more processing, and which contained less material.

The items of highest value in the export of the chemical industry were pharmaceuticals, pesticides, rubber-industry products, plastics, olefins, and aromatic compounds.

The import volume -- based on comparable price levels -- increased at a much lower rate during the plan period than did the export volume. Import from the dollar area grew by 37 percent during five years, while import from the ruble area grew by 29 percent.

The data quoted above show clearly that the production-technological basis of the chemical industry continued to increase during the period of the Fifth Five-Year Plan, and that it has become a major factor in our national economy. Its indicators were much better than those of industry as a whole. This is one of the fundamentals and factors of the development earmarked in the Sixth Five-Year Plan.

Another factor is the increasing demand of the national economy for chemicals. The advance of chemization is an objective fact of life today. Replacement of natural materials is indispensable not only because of the scarcity of the available resources but also because the chemical products offer better engineering and technological parameters for economic efficiency. An assessment of the economic relationships among the various sectors indicates that the chemical industry serves all sectors of the national economy. Accordingly, the demand for chemical products increases with the growth of industry as a whole.

The national economy consumed chemical products worth more than 205 billion forints during 1980. Considering the development planned in the user industry sectors, we find that this value will increase to approximately 253 billion forints by 1985 (at constant price levels). This growth is lower than for the preceding plan period, representing an annual growth rate of 4.3 percent.

In spite of the more modest growth rate, there is about the same increase in the consumption of chemicals by the economy as one-third of the present production of the chemical industry. It would indeed be difficult to meet this huge demand by importation, and this solution would affect our balance of payments unfavorably. Also, it is a confirmed fact that the efficiency of the utilization of chemical products is much better in those countries which produce most of their chemicals. This is evident since development of the chemical industry raises the level of chemical culture, which is an important prerequisite for the effective utilization of the chemical products. This is the factor which compels us to plan for the Sixth Five-Year Plan period as we did.



The third factor of the development of the chemical industry is our industrial policy, formulated in the most complex manner by the October resolution of the MSzMP KB [Central Committee of the Hungarian Socialist Workers' Party]. The efficiency increase specified in the resolution, the definition of the complex utilization of domestic raw materials, and the maximization of domestic labor necessitates the maximum value increase in material conversions. This mandates a further development of the chemical industry. This is why the most recent session of Parliament, approving the Sixth Five-Year Plan, stated that the chemical industry must be developed at an above-average degree during the next plan period.

Esteemed audience!

I had to tell all this since there have been more and more opinions voiced at home and abroad against the chemical industry, with socio-political, educational, and education-political ramifications. Contradicting the aspirations and opinions expressed, we can definitively state that both the situation of our national economy and the changes that took place in the world economy indicate clearly that there was never a time when a logical and effective development of the chemical industry was so urgently needed as it is today.

Let us review some of the indicators and stipulations of the development planned on the basis of these criteria:

The expected annual growth rate of the chemical industry is 6 percent according to the Plan; this is twice the growth rate of industry as a whole.

The contribution of the chemical industry to industry as a whole will reach 20.7 percent by 1985. Within five years, the number of employees in the chemical industry will decrease by another 3,000 persons or so. Partly as a result of this measure, the productivity of the work will increase by approximately 40 percent.

The chemical industry may expect an investment of 51 to 54 billion forints for development; more than one-third of this amount will be used to implement the goals of the Central Development Program for Pharmaceutical, Pesticide, and Intermediate-Compound Production, approved at the end of 1980.

The foreign-trade volume of the chemical industry will increase significantly. According to plans, the value of direct export to the socialist countries will increase to 170 percent (at comparable price levels) and that to non-socialist countries to 160 percent. Also at comparable price

levels, the value of direct import will increase by 40 percent from the socialist countries and by only 7.6 percent from the non-socialist countries.

Consumption will increase during the Sixth Five-Year Plan period by 48 billion forints and production by 58 billion forints, according to the plans (at constant price levels).

A 10 billion forint increase in import together with a 20 billion forint increase in export is feasible. This means that as a result of the developments in the chemical industry, the nation will have an improvement of 10 billion forints in its balance of payments.

Esteemed audience!

I wish now to outline the planned developments for our enterprises, industry sectors, and facilities for the realization of the above aims.

In the petroleum-processing industry there will be no significant change in the amount of petroleum processed; however, the percentage of light products will increase as a result of the construction of a catalytic cracking plant having a capacity of 1 million tons per year. This plant, which will feature modern technology, will start producing in 1984 within the Danube Petroleum-Industry Enterprise (DKV). This enterprise will continue to increase its production of aromatic hydrocarbons. Another major development effort of the industry sector is the construction of a plant for the production of methyl-tertiary butyl ether within TIFO [Tisza Petroleum Industry Enterprise].

In the petrochemical industry, specifically in the industry sector producing basic materials for plastics manufacture, our primary goal during the Sixth Five-Year Plan period is the intensification of the existing factories, partly to meet the increasing domestic demand and partly to increase the export volume for the basic materials.

First, I desire to mention the intensification of the olefin factory in Leninvaros, which has the capacity to produce 250 thousand tons of ethylene per year. The raw materials for this manufacture will be liquid hydrocarbons (such as propane and n-butane). Our propylene-manufacturing capacity will increase by 40 thousand tons of propylene as a result of the cracking plant which will be built within Danube Petroleum-Industry Enterprise, scheduled to go on stream in 1984.

A most important project is the increase in our olefin base, which is a result not of investments but international cooperation. It is well known that in 1986, when the Hungarian-Soviet Olefin Agreement will be extended, the ratio of ethylene deliveries will change directions, and we are to receive ethylene from the USSR. This will represent an increase of 190 thousand tons of ethylene per year in our base. We expect to start processing it during the Sixth Five-Year Plan period by proceeding with the construction of two polyethylene plants. Insofar as the processing of propylene is concerned, the construction of the second polypropylene plant, with a capacity of 40 thousand tons per year, is in progress at TVK. As a result, we expect to process most of our olefin production domestically.

In the area of medium-volume developments, the development of the phenoplast and aminoplast manufacture is worth of special mention; this means the introduction of new capacities and the start of new products such as plastic foam on a phenolic-resin basis, foundry shell materials, and core-binding plastics. The capacity increase will be realized on a continuous technology basis, primarily through intensification. We expect to produce more ion-exchange resin, polyester resin, and injection-molding polyamide, and we expect to offer more and more varieties of them.

Insofar as the manufacture of synthetic fibers is concerned, the major effort is the planned intensification of the manufacture of polyacrylonitrile filament. We also expect to be able to start the secondary utilization of the polymers for filament manufacture. There will be a special filament plant to process polyamide silk and polyacrylonitrile waste. At the same time, the need for modernization of the production structure mandates the discontinuation of the manufacture of polyamide staple.

The primary goal in the inorganic chemical industry is intensification of production during the plan period. Several enterprises consider the introduction of titanium anodes in caustic-soda manufacture. This is expected to boost production significantly. It is domestically a new approach what Tisza Chemical Works tries to accomplish: processing of complex fluorine-containing salt, combining the manufacture of cryolite and aluminum fluoride in series for economic advantages.

The synthetic-fertilizer industry also stresses vertical growth and intensification. A new argon plant, using waste gases, will be constructed within Pet Nitrogen Works. By eliminating bottlenecks in this facility, urea production will double and the manufacture of Pet salt [fertilizer] will increase considerably. Extra production will also result from the elimination of bottlenecks in superphosphate manufacture.

In the pharmaceutical industry, implementation of the Central Development Program of Pharmaceuticals, Pesticides, and Intermediate Compounds Manufacture will begin. The essential feature of this program is the fact that the percentage of original products manufactured will increase from nine to 14 percent. The industry sector will introduce approximately 100 new products, including a number of original preparations, and approximately 30 products manufactured under license, and will stop the production of about the same number of obsolete items, meeting the needs for these in other ways.

A major feature of the program is product development, requiring the full modernization and reconstruction of the existing manufacturing technologies. Among the investments in this area I mention the construction of the plant for the starting materials of Cavinton and some finishing plants. The latter includes the construction of a finishing plant capable of producing 320 million ampoules, two million tablets, and 600 million tubes per year.

Manufacture of pesticides will also develop within the framework of the above-mentioned central development plan.

A characteristic feature of this plan is that it provides for the start of original products, for the manufacture of more and more reproduced products, and for the manufacture of increasing amounts of these, primarily for meeting our obligations under the Soviet-Hungarian Agricultural Chemical Agreement. The batch processes, still generally used today, will gradually give way to continuous processes.

The primary goal of the development of intermediate products during the Sixth Five-Year Plan period is to meet the needs of our pesticide industry. The enterprises involved in the program plan the development of a number of product families such as phosgene-based products, aliphatic amines, halonitrotoluides, aliphatic isocyanates, and acetic anhydride.

Insofar as the rubber industry is concerned, the plans of Taurus are to meet the needs of the market. Accordingly, there will only be minor changes in the conventional product categories from the 1980 level. Major increase will take place in the manufacture of steel-belted radial tires, air springs, and Hidol inner tubes. At the same time, the production of the standard export items, such as inflatable mattresses and bedding products, will decrease approximately 20 percent by 1985.

More steel-belted radial tires for agricultural purposes and special inner tubes will be manufactured to meet the needs of increased production.



Planned developments in the field of manufacturing technology include the increased use of domestic auxiliary materials, increased automation, and increased utilization of manufacturing and use wastes. A mixing plant, of major importance for environmental protection, will be built, but it will be completed only during the period of the subsequent five-year plan.

The capacity of the plastics-processing industry will increase by approximately 130 thousand tons per year. The expected change in the product structure features an increase in the percentage of hollow bodies, tubes, and profiles. The percentage of floor covering, cable sheathing, synthetic leather, and pressed products will decrease, while that of the other items will remain approximately unchanged.

It is a characteristic fact that Hungarian Viscose Works will enter the field as a new plastics processor: this enterprise plans to start producing polypropylene netting and polyamide granulate.

The goal in other branches of processing chemical industry (manufacture of detergents, cosmetics, and household chemicals) will be to meet more and more of the domestic needs. Within the framework of this goal, increased verticalization in manufacture will be aimed for. It is interesting to note the goal of the cosmetics industry: The percentage of products developed within the last five years is expected to increase from 25 percent to 30 percent, to bring our status to the international level in this area.

The characteristic feature of the paint industry is that the percentage of paints which are thinned with water will increase from 13 percent to 22 percent. Unfortunately, domestic production does not meet the increasing domestic demand; thus, importation will continue to be required.

Esteemed audience!

The above figures and description of planned developments illustrate the difficulties of the Sixth Five-Year Plan, which can be summarized as follows: We must become more efficient and increase our export volume at this period of sharpened international competition.

To help us overcome our difficulties, we continue to need the assistance of the community of chemists assembled within the Hungarian Association of Chemists. This is codified in the cooperation agreement signed in 1979 by the Ministry of Heavy Industry and the Association of Hungarian Chemists, which the Ministry of Industry still considers binding. According to the terms of the agreement, we continue to count on the administrative efforts of the

Association of Hungarian Chemists in society and scientific circles. These efforts must supplement, rather than replace, the official activities. A well-organized social background, one that can and should be promoted by the Association, will contribute significantly to the effectiveness and success of the official activities.

Now I wish to outline some of the current elements of this supplementary activity. They may also be regarded as the needs of industrial management which should be met by the Association of Hungarian Chemists.

First and foremost, I mention the love of the profession, the maintenance of the traditions, and the inculcation of these tenets in the chemical community as a whole, and especially in the young generation. In the introduction I have already mentioned the negative value judgments on the chemical industry which are sometimes encountered, for example in connection with health hazards and environmental pollution. This attitude is one of the reasons why the young generation turns its back to chemistry and the chemical industry everywhere in the world. In my opinion, this should be remedied by measures available to society, mainly by devoting more attention to the effectiveness of chemization, and by disseminating its advantages and achievements. Of course, this is also one of the government's tasks, but the dissemination of information over the broadest possible circles is primarily a task of society. It also involves the matter of training in chemistry, and the social responsibility of the chemistry educators. The chemistry educators, an important segment of our chemical society, have a most important job in the shaping of the chemical culture of the national economy and in the level and security of the utilization of chemicals worth approximately 200 billion. The chemistry educators also develop an affection for their science, not for some selfish purpose but because this is an objective need if we are to ensure that the increased efficiency and the development of new, modern materials resulting from chemistry is made available to the national economy.

The assembling of all our colleague chemists working in various locations in the country, making them conscious of their social role, is in my opinion a very important social task. It will make all of us conscious of the importance of our specialty, and will promote exchange of information and ongoing education. Information management must be improved for the same reason. First, we must develop and disseminate more useful information to our colleagues, especially those working on the difficult problem of chemization in other sectors and professional environments. Another activity related to information management is to gain better knowledge of the work of our colleagues working in our field. I believe that the Association of Hungarian Chemists can make a major contribution in these areas.

The leadership of industry continues to need that social activity which is aimed to promote a unified approach, clarification of subjects, and forging everybody into a collective action unit. It has been a characteristic feature of our industry sector for a long time that it was always able to act in concert and to concentrate its efforts toward the most important questions, in spite of the fact that there is vigorous argumentation about subjects concerning certain economic-political and educational subjects. The formulation of society's opinion and its shaping should continue to be a major task of the Association of Hungarian Chemists.

In addition to the supplementary character of institutional and official work, I think that it also makes sense to have an overview of the entire innovational process and the promotion of technical development. The conditions for this are favorable within the Association of Hungarian Chemists, since because of its dual character it represents our colleagues both in scientific institutions and industry.

This is why it is necessary for the Association to continue to deal with selected scientific or developmental subjects, to obtain thorough knowledge of them, and to coordinate and mobilize all those working in science and industry toward the accomplishment of the required solutions. There is an existing division of labor between state and society, namely that the state furnishes the resources needed for development while society provides the creativity and the creative atmosphere.

Esteemed audience!

It is probably well known that we suffer from a shortage of resources, and that as a result our economic leadership tries to achieve a competition among the various sectors and branches, listening to recommendations from all of them. Knowing the creativity of the chemical community, its high level of education, and the efficiency of our industry, I feel certain that the recommendations coming from the chemical industry will be competitive and will be taken seriously in the highest levels of decisionmaking. But professional consciousness -- which can develop only through social efforts -- is a major prerequisite for competitiveness and the development of the competitive spirit. Of course, this does not mean that I underestimate the importance of scientific organizational activity; indeed, we expect this to remain an activity of the Association in the future. The Association of Hungarian Chemists should deal with the relationships between economy and society, in setting up the debate concerning unsettled development- and education-policy matters, examine the modification of the raw-material base of the chemical industry, and develop recommendations concerning the improvement of the efficiency of research and industrial production.

Esteemed audience!

In conclusion, I thank in the name of the leadership of the Ministry of Industry the Association of Hungarian Chemists for the successful and useful work of all its members in the past, which has contributed materially toward the solution of our concerns and problems. I am certain that the increasing level of activity of the Association of Hungarian Chemists has contributed very much toward the solution of our problems, which have a tendency to increase. Please continue to help us with our problems and contribute to our ability to accomplish the provisions of the Sixth Five-Year Plan.

(Manuscript received 23 February 1981)

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LIVING STANDARDS OVER PAST TWENTY YEARS DESCRIBED

Budapest FIGYELO in Hungarian 8 Jul 81 pp 1, 4

[Article by Lr Mihaly Zafir: "Living Standards, 1960-1980"]

[Text] A volume with this title, from the Central Statistics Office, recently appeared (KSH, 1981, "Periodic Statistical Publications," Vol 488) describing the development of employment, work performance and working conditions, reviewing social processes, giving a picture of the income of the populace and the composition of this income, examining the major areas where changes have taken place in the infrastructures of consumption and analyzing how these have affected the situation of the various social strata.

The sum of economic achievements are reflected in the national income, which is the source of increasing the standard of living. The volume of this per capita during the past two decades increased by 2.5 times. The way national income is used influences the living standard of the populace directly as a function of how the ratio of consumption and accumulation changes therein and as a function of the proportion turned to the consumer infrastructure of the former--consumption by the populace, public consumption and investment.

The rate of domestic use of the national income for consumption showed a decreasing tendency; to put it differently, there was an increase in accumulation. This was a function of the increasing role of investment to expand new production and to replace live labor and of the inadequate efficiency of investment activity. In regard to the rate of consumption by the populace and public consumption, one can see a mild increase in the rate of the latter. As a result of these changes the increase in consumption by the populace was slower than the growth of national income.

The volume of consumption per capita, in 1975, prior to the beginning of the Fifth Five-Year Plan reached 1.9 times the 1960 level. The Fifth Five-Year Plan, keeping in view the balance situation of the people's economy, prescribed a reduction in the consumption rate. Beginning in 1979, due to a development of the balance situation less favorable than expected, various measures further moderated increased consumption. Thus, in the final analysis, the volume of per capita consumption by the populace in 1980 exceeded that of 1975 by about 12 percent, which was 2.1 times that of 1960 (while the national income had increased 2.5 times).

The KSH study discusses the rich factual material in various interdependencies. In this report I have selected data from the volume concerning the following three themes: What were the social processes determining the standard of living, how were needs satisfied and what are the key questions today for our standard of living policy.

### Social Processes

The socialist reorganization of agriculture, the essentially complete solution of the organized employment of women and the great increase in the role of pensioners--as an independently existing stratum within society--can be judged especially significant from the viewpoint of the development of the standard of living.

The socialist reorganization of agriculture was completed in 1961. The mechanization of agricultural production accelerated beginning with the mid-1960's. New technological procedures were used, and in the 1970's--primarily as a result of the swift development of crop production systems and modern animal raising sites--modern production procedures became widespread. Parallel with all this the number of active wage earners in agriculture decreased significantly, by roughly 800,000 in 20 years. The rate of decrease was faster in the years following the reorganization and was more moderate later; in the last years of the Fifth Five-Year Plan there was even an increase in the number of workers on the large agricultural operations.

A new sphere of work was created in that a significant number of the large agricultural operations began to process agricultural products and in that many large operations also carried out considerable industrial, construction, commercial and other activities not belonging to their basic activity. In the large agricultural operations today they use about 27 percent of their live work in areas outside their basic activity (as compared to only 10 percent in 1965).

Small production is of determining significance along with the large operations. Almost all the cooperative members working on large scale production deal with agricultural production on [their] 700,000 household plots and agricultural type work also takes place on approximately 770,000 ancillary farms, with a significant expenditure of work time. The small farms are tied to the socialist sector by numerous threads--primarily in regard to soil cultivation, transportation, fodder supply, providing breeding and fattening stock, crop protection and marketing--and in this way they are unique production units of the socialist sector.

The statistics now show 2.3 million women as active wage earners, as compared to 1.8 million 20 years ago; their number has increased primarily because of provincial industrialization. In 1960 they comprised 36 percent of the active wage earners; in 1980 they made up 43 percent. The proportion of those with physical occupations is 37 percent and among non-physical occupations it is 58 percent of the women. 71 percent of the women of working age are active wage earners, 9-10 percent are receiving child care aid, 6 percent are students, 3 percent receive disability or early retirement pensions and the remaining 11 percent are so-called "other dependent" (in 1960, 46 percent of the women of working age still belonged in the latter category!). The majority of the present dependents are approaching retirement age, and are not working because of heavy family obligations or because of illness, thus the employment of those able to work can be regarded as practically complete.

The number of pensioners was 759,000 in 1960; in 1980 it was nearly three times as great, 2,050,000. Those beyond retirement age now make up a substantially greater proportion of the populace than they did 20 years ago and today the great majority of them are pensioners. This is the result of the short service time needed for a pension among workers and employees--10 years--and of the inclusion of the peasantry in the pension system. In 1960 the average pension came to 31 percent of the average earnings; in 1980 it came to 51-52 percent.

### Family Structure

There are now 0.9 million households in the country which have no active wage earner; 1.1-1.2 million pensioners live in these households, the rest live in families with active wage earners. The number of pensioner households in 1960 can be estimated to have been 0.3-0.4 million; their number since then has increased by 0.5-0.6 million. A new order of life has developed--the young establish independent households, sooner or later they get housing also, so the pensioner parents also live in independent households, usually in the old residence.

By the end of the 1960's the peasants had caught up with the income level of the worker class; between 1975 and 1980 the retirement age became uniform and by the end of the 1970's hardly any difference remained in the social insurance, social policy system. This process greatly increased social insurance and social welfare policy expenditures.

Full employment of women increased the volume of national production and improved the material situation of households but it necessarily increased the demand for child care institutions. The change in family structure, the increase in divorces and in the number of broken families cannot be separated from this process although it is interdependent with other things as well.

The catching up of the peasantry in regard to living standards and the employment of women becoming general (primarily through industrialization) greatly helped to even out the differences in living standards not only between social classes and strata but also between those living in various areas of the country. The regional equalization is indicated by the fact that, taking the average income for regions outside the capital as a base, the income advantage of the cities was still 9 percent in 1962 while it was less than 2 percent in 1972 and 1977, while the backwardness of the villages moderated from 3 percent to only 1 percent (to the margin of error in the calculation). Compared to the above, the average the income advantage of those in Budapest was still 41 percent in 1962, it was 23 percent in 1972 and 16 percent in 1977 (these were the years for which income surveys were prepared).

The system of paying pensions, and automation, and the growth in the number of elderly combined to make the total amount for pensions the most dynamic element in popular income. The sum paid out in pensions came to 2.8 percent of net national product in 1960, 4.4 percent in 1970 and 8.8 percent in 1980.

The change in family structure, the dissolution of multi-generational families and the change in life style necessarily produced a great demand for housing; these social changes, by their very nature, produced an increase in social allotments. By 1980, as compared to 1960, the volume of earned incomes per capita had increased 1.8 times, that of social allotments in money had increased 5.5 times and that of social allotments in kind had increased 2.6 times.



## How and Where Do We Live?

The basic needs for the overwhelming majority of the population have been satisfied since the middle of the 1970's. In regard to nutrition the quantitative and qualitative level of consumption reached satisfaction of biological needs for the middle income strata of the population at the beginning of the 1960's and did so for the strata with the lowest incomes in recent years. Inadequate nutrition is no longer characteristic of any social group, stratum or income level although individual families have unique problems. The consumption of animal protein--a synthetic index expressing the level of nutrition which is comparable internationally also--increased from 37 grams per day characteristic of 1960 to about 54 grams by 1980. (According to international experience this approaches the level which attained by the economically most developed capitalist countries.)

The 1.5 million housing units built in the course of 20 years indicate the improvement in housing supply. Thus 43 percent of the presently existing 3,540,000 housing units were built after 1960 and an even greater proportion of the population lives in them. The ratio of one room units decreased from 62.7 percent in 1960 to 27.3 percent by 1980, and there are now 151 residents per 100 rooms as compared to 236 in 1960. It is indicative of the qualitative change that the ratio of dwellings with all conveniences increased from 13.3 percent to 51.1 percent. Nevertheless, the housing shortage is still large.

Virtually universal electrification is indicative of the qualitative change in household energy supply in addition to heating and lighting this makes possible linking into mass communications and the use of electric household appliances. (In 1960 about 75 of 100 households used electric energy; this number reached 92 in 1970 and 97-98 percent in 1980.) The next steps were represented by the spread of piped and bottled gas and the great spread of oil and central heating. The ratio of traditional fuels in energy consumption by households was only about 22 percent in 1979. Water and sewerage services for dwellings is very deficient by comparison; in the villages the ratio of dwellings connected to the public water system is only 24 percent and that of those connected to the sewerage network is only 3 percent. Public sewers handle only a small part of the sewage and of this only 31 percent is biologically purified (1979).

Household appliances and equipment to ease housework and provide more leisure and culture and intellectual [time] have spread on a massive scale as have household equipment and furnishings. The widespread employment of women made the swift spread of household appliances necessary; thus the requirement of easing the second shift forced their domestic manufacture and mass import. The electrification of the village and the catching up of peasant income accelerated the process in the provinces. Today more than 90 percent of the active wage earning households have washing machines, refrigerators and televisions as compared to 60-70 percent in 1970. (The supply level for inactive [non wage earners] households is lower than this.)

Since 1975 health services have been available without charge as a right of citizenship and the scope of the services have been expanded greatly. But the health service network is obsolete from many viewpoints. Despite the significant expenditures it cannot satisfy the modern requirements in all things nor is it entirely free because of the widespread practice of tipping.



In addition to universal primary education, secondary schooling has become widespread; 72 percent of those 14-17 years of age are in secondary schools or vocational training. Of those 3-5 years of age 87 percent go to nursery school, which is an outstanding achievement even internationally. More than half of those in grades 1-4 and one quarter of those in grades 5-8 participate in extracurricular institutional services (including also those under study hall supervision and those in boarding schools). Parallel with increasing age this ratio decreases to only 16 percent in the 8th grade. Compared to the great expansion of the educational framework the achievements in educationally connected services are inadequate.

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CSO: 2500/309

QUESTION, ANSWER SESSION ABOUT MANPOWER POLICIES AIRED

Budapest NEPSZAVA in Hungarian 1 Jul 81 p 4

[Interview with State Secretary Dr Albert Racz]

[Text] Various themes connected with labor affairs, wage payment and earnings differentiation have figures frequently recently in the columns of NEPSZAVA and on television programs. Readers and viewers have formulated new questions in connection with the articles and programs. We asked Dr Albert Racz, state secretary for labor affairs, for answers to these.

[Question] What principles are used in defining wage categories and wage development?

[Answer] If the question refers to individual classification then the requirement is realization of the performance principle in defining wage categories and in the course of wage development. The classification system prescribes higher wage rates for work which is more complicated than the average, physically more difficult or done under worse working conditions. Within the upper and lower limits of individual wage categories the place of work leader can establish a higher base wage for the more independent, more diligent worker offering greater performance and doing qualitatively better work. The same principle must be realized in distributing sliding earnings, premiums and awards and in general in distributing sums which can be turned to increasing wages.

The truth is that realization of the performance principle is not sufficiently consistent in everyday practice. Levelling is still common.

[Question] It is emphasized that if an article is highly qualified then this must find expression in the value of the product, thus in its price. Why is this thesis not realized for highly qualified, creative, enterprising and well trained manpower?

[Answer] There can be no doubt that the wage payment practice of recent years did not give sufficient material recognition to workers doing high level work and capable of enterprising creativity. It is the definite aspiration of central economic guidance to further a more pronounced earnings differentiation to the benefit of those doing valuable, high level work. But the enterprises and institutions employing the workers must produce the material resources for this. Recognizing an enterprising spirit and intellectual qualifications is an important enterprise interest also if the collective wants to retain colleagues with outstanding attributes.

[Question] Our consumers price system is being gradually adjusted to foreign market prices but we are not doing the same thing proportionally with wages. Why?

[Answer] We are adjusting our consumers price system to foreign market prices by means of transposing factors. Producers prices are being made to approximate foreign market prices and for a number of products the development of consumers prices is not separated artificially from the movement of producers prices--which as a whole, unfortunately, are going up. At the same time, for a number of products we cannot permit, for example out of standard of living policy considerations, the increase in producers prices to appear directly in the consumers prices. There are also cases where the state sets the consumers prices a good bit higher than the producers prices, out of economic policy or social policy considerations. This is true, for example, in the case of alcoholic beverages.

Wages are never adjusted to "world market wages" anywhere; they are adjusted to the economic situation of the country. For us wages must be adjusted primarily to the value of the work as expressed in the people's economy. The world economy can undervalue or overvalue this, of course, in the course of the export and import of the products. At the same time, wages must follow consumers prices too, if not directly or closely, still somewhat. During the Sixth Five-Year Plan, when internal use of national income can increase to only a very small degree, we will adjust wages to consumers prices so that the real value of wages at the level of the people's economy, that is to say their purchasing power, will not change, that is will not decrease, as an average for several years. For the time being we have no way to increase real wages because, among other things, the world economy, for the time being, tends to undervalue rather than overvalue our work in the world market prices for our products.

The purchasing power of Hungarian wages will approach the wages which have developed in countries richer than ourselves when the productivity and efficiency of our work approaches the productivity level of the developed industrial states.

[Question] To what extent can we expect that the better enterprises will be able to pay more wages in accordance with enterprise performance differences?

[Answer] In the present wage regulation system wage increases are tied to requirements and conditions. An enterprise which improves its efficiency twice as fast as another, as measured by the wage development index, can carry out twice the wage increase, so the condition system for wage regulation is uniform. Further wage increases are made possible by wage savings deriving from a reduction in personnel also; and wages can be increased if wage development payments are made from the shares fund. So the degree of wage development does not depend on central authorization but rather on the work of the enterprise collective. This is also shown by the fact that in recent years the annual wage development of the majority of the enterprises has moved between 3 and 9 percent, thus over a relatively broad scale.

[Question] How are we to imagine the much emphasized differentiated wage payment when wage development is identical to or, in many cases, does not reach the increase in the price level? What is it that will be differentiated?

[Answer] Differentiated wage payment means that he who works more and better must earn more than those with poor performance. All this follows from the principle of

distribution according to work. If those working well and those working poorly receive the same wages or the same wage increases then there would be nothing to encourage those performing poorly to do better work and those working well might lose their enthusiasm for conscientious work. If average real wages are not increasing then, naturally, those working well can get an increase in real wages only if the real value of the wages decreases for others--those performing poorly. We can achieve effective material incentive only with differentiated distribution, and there is special need for this now.

[Question] College graduates are 30-35 years old before they attain the earnings of skilled workers of the same age. In most socialist countries there is no such negative differentiation. Is there a plan to improve payment for beginning graduates?

[Answer] It is a fact that in general college graduates earn less at the beginning of their careers than, for example, skilled workers of the same age. The situation is similar in other socialist countries too. But one must remember that a skilled worker 23-25 years old has 6-8 years professional experience already and in general his working conditions are less favorable and his work requires greater physical effort than is the case for those with intellectual jobs. But even taking all this into consideration one can regard as long the time it takes for the earnings of young graduates to catch up with those of skilled workers.

The rates of the basic wage system, increased in 1981, make it possible for the enterprises--depending on their material possibilities--to gradually improve the earnings relationships of graduates. But a diploma cannot justify higher wages in advance. Higher earnings for those with more training are justified only if they really make use of their training, if they have a job which requires this training.

[Question] Why is it that in our socialist system 10 years of certified work is still enough for an old age pension?

[Answer] The new pension regulations which went into effect on 1 January 1981 raised the minimal service time needed for an old age pension from 10 years to 20 years. At the same time we had to consider the fact that even in 1979 about 2,000 men and 20,000 women retired with less than 20 years service time. So it was decided, as an amendment to the previous regulation, that up to 31 December 1990 all those who reach retirement age with less than 20 years but with at least 10 years service time could retire on this basis. Without the latter fair provision many would get into a very disadvantageous situation in the decade ahead and this would not be favorable from the viewpoint of either the individual or society.

8984

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TRADE UNION COUNCIL SCORES MANPOWER REALLOCATION IN CHEMICAL INDUSTRY

Budapest NEPSZABADSAG in Hungarian 30 Jun 81 p 5

[Unsigned article: "Product Structure Change and Manpower Management in the Chemical Industry; Presidium of SZOT Meets"]

[Text] The Presidium of the SZOT [National Council of Trade Unions] held a meeting Monday morning. It examined how the product structure change in the chemical industry was affecting manpower management.

For a long time the chemical industry has been among the most swiftly developing branches, a branch in which a number of central developmental programs and significant investments have aided a relatively swift product structure change. During the Fifth Five-Year Plan the enterprises in the branch introduced 1,067 new products and ceased manufacture of 1,089. The ratio of competitive products increased and as a result of this not only did export expand but supply to the populace improved also.

The product structure change placed new tasks on manpower management. The reallocation of manpower picked up, partly as a function of personnel needs at new installations and partly in connection with the introduction of new products, but seasonal variations in production, temporary marketing difficulties, a shortage of materials and other causes also contributed to assigning workers to new places of work. There are enterprises, for example, where 10-15 percent of the workers--400-500 people--were re-allocated in a 3-4 month period.

In the course of the regroupings the economic leaders and the trade union took measures which corresponded to the interests of the workers too. This is well illustrated by the fact that although there were naturally difficulties and friction there were no labor rights disputes. The trade union committees, stewards and stewards' bodies played a great role in all this. In the future also the re-allocation of manpower will require great circumspection and careful preparatory work from the trade unions too. In general, where many people are affected by the re-allocation, one can find a certain unrest among the workers. Their work assignments and earnings may change and they may have to learn a new trade. Manpower re-allocation can be successful, can best correspond to the interests of the enterprise and the workers, only where they receive concrete answers in time to the questions connected with the new situation.

The Presidium of the SZOT called attention to the fact that the trade unions should take the initiative in the transformation of the product structure. They should turn special attention to effective employment of manpower and to solving the human problems connected with this so that the fundamental interests of the workers should not suffer harm.

8984

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REFORM'S EFFECTS ON LABOR DISCUSSED

Budapest MAGYAR HIRLAP in Hungarian 14 Jul 81 p 5

[Interview with Dr Laszlo Pongracz, chief of main department at the Ministry of Labor; date and place not specified]

[Text] A 1978 resolution by the Council of Ministers specified the major goals in improving manpower policies. The government's practice of periodically checking the implementation of its resolutions also allows for assessments on how particular decisions fare in practice. Such an assessment occurred recently when the Minister of Labor made his report to the government about new phenomena in the labor market which are considered consequential to the above mentioned resolution. Dr Pongracz, one of the Ministry's main department chiefs helped clarify these phenomena.

[Question] Our manpower economy has for a long time--including 1978, when the resolution was made--been fraught with tensions. While demand for labor exceeded supply by a wide margin, labor efficiency fell far short of the requirements. What has been the effect of the government's resolution and its subsequent actions upon this undesirable situation?

[Answer] The effect has been unequivocally encouraging. The manpower economy showed favorable changes in recent years, equilibrium on the labor market has improved. The often unjustifiable high demand for labor which have characterized the labor market in the previous years has been reduced. This phenomenon indicates, among others, that enterprise manpower policies became more planned and better weighed, since employers are apparently reckoning with the realities of the country's labor endowment. It should be noted, however, that this favorable general picture does hide some anomalies. While mostly in Budapest there is an actual shortage of labor, particularly of unskilled labor, in some agricultural areas a minor, transitory oversupply, may exist.

[Question] Have there been any changes in labor migration?

[Answer] Yes. Numerous enterprises exert efforts to reduce their use of labor as a combined result of the drop in production and the effect of reform measures. The majority of the employers use the natural attrition of their manpower, (e.g., retirement, etc.) to reduce their personnel by simply not replacing those who leave. Besides this, there are also other indications that a more conscious and active manpower economy, tending to improve labor efficiency now exists. For example, now

only seven out of 10 terminations of employment are initiated by the employees, compared to the previously prevalent nine. In other words, three out of each 10 terminations are initiated by the employers. Everybody became more cautious than before to quit a job. In 1980, for example, there were approximately 110,000 less notices to quit in industry and construction than in 1977. It is a favorable sign that labor migration tends towards the service industries, where in the past years employment increased by a significant 5.7 percent [? annually].

[Question] Is a relationship between labor migration and changes in the production structure perceivable?

[Answer] Significant change is evidently not perceivable, since the transformation of the production structure has not been fast enough. As far as labor is concerned, the principal feature in the introduction of new products, technologies, and in the elimination of unprofitable enterprises, is that labor migration, so to say, takes place within the confines of enterprises, through the re-grouping and re-training of manpower. Naturally, preparatory work will be necessary to make sure that labor's professional composition and territorial migration follow future changes in production and in production structure without too many complications and snags.

[Question] The primary concern today is that the efficient use of manpower is more of a requirement than reality....

[Answer] This is indeed so, although some changes are discernible here too. The transformation of the economic environment and regulatory system have prompted enterprises to revise their internal management and incentive systems. At many places the terms of bonus payments and the piece work-based compensation system have been changed and tightened, and the number of workers compensated through performance-based systems in general has increased. At enterprises where the wage fund accounting system has been introduced, the incentive to economize with labor has increased. What hampers development is that plans destined to change management and incentives are too general, and their effects are barely discernible at the lower organizational levels of plants and workshops, although the reaching of these levels would be vitally important.

[Question] What has been the experience with the system of labor exchange?

[Answer] It would be too early to comment on this since the new system was established only at the beginning of this year. At that time constraints have been lifted to allow the free flow of labor which is indispensable for the economy's structural transformation. The labor exchange is a service that brings together employment seekers and potential employers, provides information about employment opportunities. The flow of information, however, given that it has to be continuous, will necessitate a better future cooperation between the local councils and enterprises. This is especially important in rural areas and when there is a geographical separation between the excess supply of labor and the demand for it. In such cases the retraining of manpower is necessary, which in the current practice is arranged and financed by the new employer.

[Question] There are some rumors that in certain areas and in some professions problems of finding employment have emerged. What is the truth?



[Answer] Anybody who wants to work definitely can do so. Problems of finding employment occur only in narrowly defined areas and only temporarily. It is indeed true that not every high school graduate finds himself behind a desk, or is assured a white collar status; many of them have to do physical work. Among college graduates--particularly among archeologists, graduates of liberal arts and biologists--there are some who cannot find employment at the time of graduation, at least not in the capital. Their problems, however, are resolved by compromising somewhat and accepting jobs outside the capital. It is also a fact that in some areas--for example in Szabolcs-Szatmar county--more people are forced to work outside the county than before. Although these problems emerge only sporadically, it is necessary to follow the paths of all those who seek employment, and to search for solutions which are beneficial for both the individual and society.

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# COOPERATIVES DISCUSS SUGAR PRODUCTION POTENTIAL

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 26, 1931 p 9

[Interview with Jeno Havasi, chief agronomist of Gyozelem (Victory) TSZ (producer cooperative) of Lajoskomarom; Imre Pezenhoffer, district manager of the Hungarian-Soviet Friendship TSZ of Sopote; Istvan Csiba, vice president in charge of production in the Hungarian-Czechoslovak Friendship TSZ of Darnozsel; Imre Szent1, vice president in charge of production in the Vorosmarty TSZ of Pincehely; and host Endre Nemeth, president of Egyetertes (Harmony) TSZ of Pannonhalma, by Laszlo Avar: "How Can the Planned Sugar Production be Implemented?"]

[Text] The Goal Is Weed-Free Fields

[Laszlo Avar] Now that the planting of beets is well behind us, we seek answer to the question: How well did we succeed in fitting the smaller plan, the ideas of the farms, to the bigger one? We were curious which are the methods by which the quantity of sugar beets, and through this also of sugar obtainable from unit area can be increased. Therefore we invited to the Egyetertes TSZ of Pannonhalma for a round-table discussion Jeno Havasi, chief agronomist of Gyozelem TSZ of Lajoskomarom; Imre Pezenhoffer, district manager of the Hungarian-Soviet Friendship TSZ of Sopote; Istvan Csiba, vice president in charge of production in the Hungarian-Czechoslovak Friendship TSZ of Darnozsel; and Imre Szent1, vice president in charge of production in the Vorosmarty TSZ of Pincehely. Our host was Endre Nemeth, president of the TSZ in Pannonhalma. We did not go to this farm by accident: last year they harvested 9.27 tons of sugar per hectare, with which--I believe--they were in first place not only in the KSZE [socialist Cooperation in Corn Production] Crop Growing System of Szekszard, but also in the whole country. This same production system, the KSZE agreed to organize the round table discussion.

[Question] First of all, what is the system for growing sugar beets? How stable is the situation of the sugar beet branch these days?

[Answer--Imre Pezenhoffer] We grow the beets by manual cultivation, and not too badly, either: for years we have been in second place in the megye. Last year, for example, we produced 5.87 tons of sugar [per hectare], and in the course of doing it we achieved 15.1 percent digestion. I must add to this that we did this on the Vas [megye]-type soil, the so-called river valley soil! On cold, dense, acid clay. In addition, we produce without irrigation.

[Answer--Istvan Csiba] In comparison we are much bigger sugar beet growers. In the last five years we increased our acreage twice, and last year we harvested beets from 809 hectares. This year we added 50 hectares to the planting area.

Our results are not bad, either. We produce 40.5 tons of beets per hectare with 15.3 percent digestion which means that we average 6.2 tons of sugar. Our sugar beet production is completely mechanized, and we also irrigate. Next year we will further increase the acreage: it will be 900 hectares. This is the upper limit for us and amounts to 16 percent of our plowed land.

[Answer--Jeno Havasi] We conduct the experiments of the National Agricultural Type Experimentation Institute [OMFI or OMFKI]. We produce sugar beets by an expressedly mechanized cultivation. We plant beets on 475 hectares of out 7,000 hectares of plowed land. As far as the numbers are concerned the ratio could even be higher, but we feel that sugar beets need sugar beet soil. This crop cannot be planted anywhere else! But there is also another reason for not increasing the best acreage. The production and mainly the transportation costs have gone so high that lower average production would deteriorate the profitability.

At our present level it is worth it for us to do it. Two years ago we grew 43 tons of roots [sic], while last year the figure was 47.2 tons. I can also tell you about last year that with 16 percent digestion we achieved 7.6 tons of sugar per hectare. All this was done in dry cultivation because we do not have the opportunity to irrigate. The [financial] results also turned out similarly to the production averages. Cost per ton was 601 forints, and sales income was 921 forints. It costs a lot to produce sugar beets, but if someone does it well and is fortunate, it is worth it.

[Answer--Imre Szentl] If he is fortunate; the way I used to word it is that the growing risks are large with sugar beets. Just two data: in 1977 we harvested 33.6 tons, in 1980, 51.8 tons of sugar beets--8.5 tons of sugar--per hectare. Our five year average is 43.3 tons per hectare, with annual acreages of 200 to 250 hectares. This result proves that we are not complete beginners with sugar beet, but in spite of this there was a year when we had an average of 33.6 tons. Thus sugar beet production is quite risky, even if we do our farming on the Trans-Danubian loess plateau, in a better than average location.

We have fully mechanized the sugar beet branch. Our production cost per hectare is 25,000 forints, the result is 47,000 forints. But before we would drink toasts to ourselves, I must add that realistically we can expect only about 60 percent of this.

[Answer--Endre Nemeth] We are told that we are one of the most successful producers. The fact that in the last ten years we produced over 50 tons three times, proves this. And the important thing is: digestion has been over 18 to 20 percent

for the last five years. We do not want to appear immodest but in 1980 we produced 53.9 tons of beets [per hectare], with 17.2 percent sugar content. Thus we obtained 9.27 tons of sugar by manual cultivation, and we received a sales price of 950 forints per ton.

How well did we start out this year? Our people do not want to grow beets. We produce on a total of 100 hectares, and this is not worth mechanizing, especially buying imported machinery. We have reviewed our production. Our decision is that if next year we will again receive the incentive premium, we might even plant 250 hectares.

[Question] This corresponds with the government's goals, since this is why the excess sugar premium was created. How much effect did this have on the decisions of the producers?

[Answer--I/P.] We felt and knew that this is needed. We also paid proper attention. We planted the sugar beets at the optimum time on 80 percent of the acreage, and germination was perfect on this area; but far from it on the other parcels! The effect of chemicals was very poor due to the lack of rain during the spring; we applied the Betanal+Dual+Piramin combination but it was useless.

[Answer--I.Cs.] Our situation is the same, word-by-word. Due to the early drought and belated soil preparation the soils dried out even more. This was what we had to plant into... What can I say? We took the chance.

It is a different matter, but fits here: we had to treat the sugar beets for weed infestation. Fortunately we had no problems with the supply of weed killers.

[Answer--J.H.] No use denying it, we started out worse than last year. We gave the beets all the treatments at the optimum time, but the chemicals did not take effect due to the drought. No arguments: between-the-rows cultivation is necessary! Otherwise we will only be harvesting hogweeds. But in spite of this I think last year's good crop is possible to repeat. One problem is that uniform spacing was not achieved this year, either. Here we can argue with each other, but it would be good to be able to see clearly: the important thing is not whether we have 100,000 or 80,000 sugar beets on one hectare, but rather that plant distance be uniform.

[Answer--I.Sz.] We also prefer to have five little plants sprout up per running meter. From this, we can still have 80,000 roots mature per hectare by harvest time. Well, of course, weed hoeing must not just be a wish now! It is true that it requires manpower. But let me ask you: What is more important? The various rules of thumb, or that there be enough sugar?... We do what we can by top treatment, but we also count on the work of the members. Mainly now, since the effect of the basic treatment was very poor. Things turned out this way not only because of the poor beginning of the spring!

[Question] What do you mean by that? Over-all, there were not many complaints about the supply of chemicals.

[Answer--I.Sz.] Not at all! But there are too many midwives here! The AGROKER [agricultural Supply Enterprise of Pest, Nograd and Komarom Megyes], the production system, the plant protection station, the sugar refinery, the chief supervisor,



and anyone else we want. There are that many midwives to oversee each decision, when actually the farm bears all the responsibility. Tell us what our job is! Or can't we be trusted?

[Question] I doubt that, since all of you are [among] the best sugar beet growers. Is there a method with which the sugar yield per hectare can be further increased now? I am referring even to leaf fertilization...

[Answer--E.N.] We have been experimenting with this for several years. We did not notice any favorable effect.

[Answer--I.Sz.] That in itself is not economical. And in this stage we can not get protection against the cabbage owl moth even by dispensing 50 liters of chemicals from airplanes. And it is a sin to enter onto fields in this advanced growth stage with plow-land machinery.

[Answer--I.P.] My opinion is the same! We do not doubt the results which can clearly be achieved. Last year we used Wuxal, I can say without any special results. But there is no doubt that it can also produce good results on some parcels. By the way, this is an extremely complex question: it appears that there is less sugar, but the beets are much more uniform. And this is a great result!

[Answer--I.Cs.] We can intercede by irrigation, and we are not sitting on our hands. This question has at least as much significance as weed killing. Indeed, more! By applying chemicals we shock the beets, but this way we do not! It is also better to count on mechanical weed killing. True, this runs into a lot of administrative red tape.

[Answer--E.N.] Well, we have enough problems with this. The school children would come gladly to work, I can tell you that. This is good for us, and we pay good wages for it. But some smart regulation prohibits all that. Let me ask you now: which is better, if the child is loitering in the village, or if he performs sensible work for us under supervision?

[Laszlo Avar] After this point it would have been difficult to take any notes. The experts kept trying to prove, while they kept interrupting each other, that if they could now manually pick out the hogweeds or panic grass, unbelievably high results could be produced. The question is how will we resolve all these problems when the fractional manpower can not be enlisted in an organized manner.

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DEPARTMENT HEAD INTERVIEWED ON REASONS FOR MEAT PRICE INCREASES

Budapest MAGYAR HIRLAP in Hungarian 28 Jun 81 p 7

[Interview with Janos Ori, a main department chief in the National Material and Price Office, by I. Gy. M.: "Meat is More Expensive, Communique About Price Measures, Our Interview About Reasons for Increase"]

[Text] The communique published today contains all the important data about the increase in the consumer price of meat. In our article we have tried to show the background and reasons for the measure. We talked about this with Janos Ori, a main department chief in the National Material and Price Office.

[Question] How have purchase prices, industrial producer price and consumer prices of meat developed during the Fifth Five-Year Plan?

[Answer] Purchasing prices have changed relatively more frequently in the past 15-20 years--generally every 2-3 years--due to production costs and domestic and foreign market demand and in accordance with the production policy goals set down in the economic plans. Consumer prices have not been changed for a long time.

During the Fifth Five-Year Plan it became evident that pricing policy would have to resolve the tensions accumulated in earlier years as related to purchase prices, industrial producer prices and consumers prices and that a harmony among the prices would have to be created. Accordingly, between 1976 and 1980 consumer prices came into better harmony with producer prices--even if their level remained lower than would have been justified.

It is worth noting, in regard to the purchase price for slaughter animals, that by 1981, as compared to 1975, the price for chickens had increased to the largest degree (by 52 percent), that for pork to a lesser degree (by 47 percent) and that for beef least of all (by 42 percent). The greater price increase for chicken and pork was justified by the increasingly expensive protein feeds, the greater need for seed fodder and by foreign market prices. The consumer price for pork and beef has almost doubled in 5 years while the price for chicken increased by only 35 percent. The reason for the latter is that an increase in chicken consumption was desirable, seeing that we achieved a higher level and greater efficiency in the production of chickens than in the production of pork. (The seed fodder requirement for one kilogram live weight of pork is 3.5-4.5 kilograms while that for chicken is 2.5-3 kilograms.) We increased the base meat prices for pork and beef by the same ratio on 23 July 1979 and also with the present price measures.

[Question] How much support--price subsidy--does the state provide now for the consumer price of meat?

[Answer] The economic policy goals aimed at developing animal husbandry have required us to increase purchase price more or less continuously, generally every 2-3 years over the past 15-20 years because of increased production costs to preserve producer incentive. At the same time we increased the consumer price of meat only once between 1960 and 1976, in 1966. There was a significant increase in meat prices on two occasions during the Fifth Five-Year Plan in 1976 and Mid-1979. Despite this, given the purchase prices, the industrial producer and consumer prices which prevailed prior to 29 June 1979; we maintained consumer prices of meat and meat products--with state subsidies amounting to 8.5 billion forints per year, and representing an average price supplement of 36 percent in the wholesale price of these products. The present consumer price increase for meat and meat products, averaging 10 percent, will moderate the sum for state price supports by about 2.5 billion forints but it will continue to be necessary to support consumer prices with about 6.0 billion forints. This corresponds to an average price subsidy of 23 percent.

With the present consumer price increases the price supplement for the major product groups or individual products will change as follows:

(1) Termék	(2) Az árkiegészítés százaléka az áremelés előtt után		(3) 1 kg-ra jutó árkieg. Ft-ban az áremelés előtt után	
Tőkehidok (4)	41	34	21,00	14,00
ezek közül:				
sertés tőkehús	39	32	21,00	13,00
marha tőkehús	50	34	27,00	17,00
Húskészítmények átlagosan (5)	32	21	13,70	11,70
Baromfi-húsok	36	28	12,90	10,60
Húskonzervek és hűtőipari húskészítmények	35	26	12,90	11,30
Egyéb főbb hústermékek				
Sertéscomb	39	32	27,70	19,00
Sertésoldalsz	39	32	18,50	11,70
Marha vastag lapocka	50	34	20,90	24,00
Marha rostélyos és hátizsín	50	34	23,50	19,00
Parizsi	32	21	17,30	12,70
Olasz felvágott	32	21	20,00	15,70
Gyulai kolbász	37	21	23,00	20,00
Leves kolbász	32	21	11,00	8,90

Key:

- |   |   |
|---|---|
| <ol style="list-style-type: none"> <li>1. Product</li> <li>2. Percent of Price Supplement before (előtt) and after (után) the price increase</li> <li>3. Price Supplement per kilogram in forints before (előtt) and after (után) the price increase</li> <li>4. Carcass. meats<br/>Therein:<br/>pork carcass<br/>beef carcass</li> </ol> | <ol style="list-style-type: none"> <li>5. Meat products, average<br/>Poultry<br/>Canned meat and refrigerated meat products<br/>Other major meat products:<br/>Pork hams<br/>Pork sides<br/>Beef chuck<br/>Beef loin and rump<br/>Paris (baloney)<br/>Italian cold cut<br/>Gyula sausage<br/>Stewing sausage</li> </ol> |
|---|---|

It can be seen from all this that the budget must still provide a significant price subsidy for consumer prices.

[Question] Then one must ask: How does the price supplement affect production and consumption?

[Answer] It is a fact that the sum of the consumers price supplement, that is of the budgetary burden, increases in proportion to the increase in meat consumption. It is worth noting that a higher consumer price supplement shifts trade to a greater degree than justified to central trading channels--state purchasing, the meat industry and commerce--and excessively narrows direct trade between producers and consumers. This increases the path followed by the goods and increases investment requirements, and in the final analysis it makes production and consumption more expensive.

Higher price supports hold back small production especially and decrease the incentive of producers to production for their own consumption and direct market sales. This leads to a state of affairs where small producers even buy back, via subsidized wholesale and retail trade, what they produced themselves and need for their own consumption. This also increases the burden on society.

This makes the reasons for the present meat price increases understandable. But there are also other arguments in favor of it. Presently the possibilities for non-ruble accounted meat exports are favorable; export prices have increased. So an increase in meat exports is justified as a chief economic policy goal of the Sixth Five-Year Plan to improve the trade balance. It is well known that we have set as goals for the Sixth Five-Year Plan the preservation of the achieved standard of living and the maintenance of relatively rational consumers prices for major foods items. But it is also obvious that we must achieve a better harmony than before between purchase prices, industrial producer prices and consumer prices. Among other things this requires that an increase in purchase prices be accepted only in very specifically justified cases and if it should be necessary to increase consumer prices for certain major foodstuffs in the future then it would be more correct to increase them by a small amount every 2-3 years and not greatly [all at] once every 5-10 years.

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CSO: 2500/293



## NEW RABA MACHINES FOR AGRICULTURE DESCRIBED

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 27, 1981 p 11

[Article by Imre Baric: "New Raba Machines"]

[Text] Next to the application of chemical the cost of mechanization is most significant among the expenditures which originate in industry.

The MSZMP KB's [Central Committee] March 1978 resolution also states that faster and more goal-conscious development of food production, primarily of the domestic industry, is necessary. The machine industry must take the initiative and must supply the growing demands with good quality machinery.

How well does the machine industry satisfy the requirements? This is one of the key questions of our present and even more so of our future. Obviously the resources have to be concentrated to those areas where the efforts promise the greatest success for the national economy. Thus within the machine industry the circle of those manufacturing agricultural and good industrial machinery had to be expanded. This is why the Hungarian Railroad Car and Machine Factory [MVG] joined in this work in the hope of success.

Within a short time the MVG RABA organized the manufacture of heavy tractors and basic work machines. In harmony with the requirements the factory is accepting a greater and greater role in the domestic manufacture of agricultural machinery.

Recently they showed their newest products to those interested. The opinion of Mihaly Ruzsics, driver of one of the tractors, uniquely supplemented the precise introduction also covering the details (at times perhaps so lengthy that it made absorbing it difficult) to the conference and machinery show held in Seregelyes: "I started in this profession 20 years ago, and if someone told me then that once I would be driving machines like these, well, I would not have believed it. This is more comfortable than a passenger car..."

### RABA-IH 3588 Tractor

This four wheel drive, 135 kW tractor is at home in cultivating between rows as well as in plowfield crop growing. The machine which is "nose-heavy" due to the engine being located up front is suitable to perform practically any work, and negotiates easily on all soils.

There are 16 "forward" and eight "reverse" speeds on its heavy duty, torque booster transmission. This tractor of superior construction in every component detail (designed with standardized parts!) is the agricultural power machine of the future. And why is it not that of the present? Well, its price also plays a role in that. Since, for the time being, only the engine is made in Hungary in machinery built in cooperation, the buyers have to pay most of the price in dollars. But if the RABA were to receive enough orders it could even raise the ratio of domestically built components in the tractor to 60 percent. The foreign currency content of the purchase price could significantly decrease.

Of course the question is, how could the situation of "I don't buy it because it is expensive--it is expensive because you are not buying them" be resolved. One thing is for certain: the RABA-IH 3588 is an excellent machine, and our agriculture needs many excellent machines.

#### RABA-360 Tractor

The RABA-360 agricultural tractor was also exhibited at the show. This 235 kW machine is the highest performance member of the RABA tractor family. It is eminently suitable for autumn work requiring high pulling power as well as for spring work which can be done at high speeds. The standing, built-in diesel engine which is of the straight-block, four cycle, six cylinder design with air injection and after-cooler, is imported. Therefore the purchase price of this machine also contains foreign currency.

#### IH-735 Plow

Among the work implements shown, the IH-735 plow which travels in the furrow deserves particular attention. The width of its cut is infinitely variable between 355 and 559 mm from the tractor's driver compartment while in operation. Rapid adjustment of the width of the cut makes maximum utilization of the tractor's pulling power possible, as well as optimum adjustment to fields with varying soils. The favorable characteristics of adjustable width plows is proven, among other things, also by the fact that in the worldwide plowing competitions always those finish on top who compete using plows with designs similar to that of the IH-735.

#### The RABA-IH-10-800 Plow Family

The RABA-IH-10-800 plow family was built for high power tractors such as, for example, the RABA-360. The main support [beam] of these is of the divided design. The front and rear sections are hinged together. This solution makes uniform plowing depth and following the soil's unevennesses possible even in the case of large working widths. Plow heads are made in two designs, for medium-deep and for deep plowing. The plowing depths are 30 and 35 cm, respectively. The plow's price is 400,000 forints, and its capacity is 2.5 to 3.5 hectares per hour.

#### Medium Deep Soil Looseners

RABA also showed three machines suitable for medium-deep soil loosening.

The RABA-IH-10-14 is suitable for creating the proper connection between the cultivated layer and the subsoil. Its use has a beneficial effect on the soil's water

and air retention and on the proper growth of roots. In addition to this the quality of traditional soil work also improves. The machine is built in two varieties, with five and nine blades, respectively. The price of the nine blade model is 158,000 forints. A 20 to 260 kW tractor is needed to pull it.

The IH-5500 medium depth soil loosener can be used for primary or secondary loosening of the soil as well as for loosening the subsoil. When it is used the soil's resistance to erosion increases as does its water retention ability. This machine costing 200,000 forints can be used for several purposes. By installing various work implements on it, it also becomes suitable for cutting up grass fields or alfalfa stubble fields, or for turning over weed-infested stubble fields.

The IH-6000 CONSER-TIL medium-depth soil loosener is a new item. In one pass it loosens the soil, chops up the stubbles and residual stalks, and blends these back partially into the soil. As a result of the machine's work the soil breathes better, and absorbs and retains more water. For crops growing in rows the machine--in the interest of greater efficiency--should be pulled at an included angle of about 40 degrees. The price of this work machine is 250,000 forints.

#### The IH-183 Cultivator

Cultivators are again receiving emphasis since the protection of crops is becoming more and more expensive. At the show RABA introduced the IH-183 rear suspension cultivator. This is suitable for working eight wide, or 12 narrow rows. Sideways movement is eliminated by the use of leader discs. This machine costing 300,000 forints is an effective tool.

#### Sowing Machines

Visitors to the show saw two sowing machines.

The advantages of the IH-800 [or is it IH-8000? See caption for Picture 8. Trans-lator.] are high sowing speed, uniform sowing depth and seed spacing, resulting in optimum germinating and sprouting reliability. Price of the machine is 1.1 million forints. It is suitable for sowing corn, sunflower, and soy beans. Recommended working speed is 12.8 kilometers per hour. A 90 kW tractor is needed to pull it.

And last--but far from least--the RABA-IH-10-6200 grain sowing machine must also be mentioned.

Last year--together with six other different excellent sowing machines--the IKR [Industry-type Corn Production System] evaluated this machine, which is suitable for sowing grain and grass types, introducing granulated chemical fertilizers and micro-granulated soil disinfectants into the soil, and for compacting planted rows, under operating conditions. The RABA-IH-10-6200 received the highest marks. After correcting the minor construction shortcomings which surfaced during the investigation, it can now be stated that this is one of the best sowing machines, if not the best one.

The triple-wide, 3x28 row sowing machine also equipped with track indicator, and connected to the RABA-IH-3588 tractor is beautiful even as a sight. Of course the really good thing would be if this did not remain only as a "sight" but became a usual working tool on more and more farms.

[Photo No 1 caption: Tractor driver Mihaly Ruzsics: "This machine is more comfortable than a car..."]

[Photo No 2 caption: The IH-183 rear suspension cultivator. It is suitable for cultivating 8 to 12 rows.]

[Photo captions on p 16: No 1: The IH-735 is one of the most versatile and most modern plows. Its path width can be hydraulically changed between 355 and 559 millimeters. (I think that is per blade, times 6 blades. Translator.)

No 2: Uniform plowing depth can be achieved with members of the RABA-IH-10-800 plow family, even at wide working widths.

No 3: The IH-500 medium depth soil loosener can be used for primary or for secondary soil working, and for loosening the subsoil.

No 4: The RABA-IH-10-14 medium depth soil loosener creates the right connection between the cultivated soil layer and the subsoil.

No 5: The highest performance member of the RABA tractor family is the RABA-360 [shown here] with the RABA-IH-10-6200 sowing machine connected to it.

No 6: Machines of the future: the IH-6000 CONSER-TIL medium depth soil loosener, [and] the RABA-IH-3588 tractor.

No 7: The IH-10-6200 triple-connected grain sowing machine can be filled in 12 minutes by the IFA-VFA [expansion unknown] sowing machine filler adapter.

No 8: The IH-8000 CYCLO sowing machine accurately meters the seed even under difficult conditions and at high speed.]

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## QUALITY, SUCCESS OF SEED PRODUCTION SUMMARIZED

Budapest MAGYAR MEZOGAZDASAG in Hungarian No 26, 1981 p 8

[Article by Dr Balint Szaloczy, director general of National Seed and Propagational Material Inspectorate: "The Success and Quality of Seed Production"]

[Text] Good quality seed, which in itself is also an item in demand on the world market, and as such can make a significant contribution to our agricultural export, has a definitive role in increasing the agricultural crop yields and in improving the quality of products. Thus improving seed quality is in the interest of our agriculture and also of our national economy.

Of course it is not immaterial how much it costs us to produce seed because this affects our production costs as well as our competitiveness on the world market. From this follows that setting up economical seed production is also an important task.

In our country the conditions are good for good quality and successful seed production. Our natural ecological conditions are also excellent, we have great traditions in production and we have the intellectual as well as the technical conditions in our large and modern operations.

### Quality Improvements in a Short Time

The production levels of seed producing farms differ widely and in many cases fall far short of the requirements. We can prove this by the following.

Each year about 25 percent of the seed production acreage is taken out of seed production, that is, only merchandise crops are grown on 75,000 to 80,000 hectares instead of the originally planned seed. This high removal ratio is, of course, unfavorable to seed production as well as to the success of the production of merchandise crops.

In general the reason for removing the acreage of qualifying it unsuitable can be traced back to the lack of personal (for example, failure to make the selection) or technical-technological conditions (for example, weed infestation, technological problems).

Each year, 25,000 to 30,000 tons of seed fail to reach the quality specified in the standards due to errors in cleaning, drying or storage (including blending), and is qualified unsuitable on the basis of laboratory tests.

Selecting the farms to produce seed is not always done in a sufficiently circum-spect manner.

Assigned by the MEM [Ministry of Agriculture and Food Industry] Main Agricultural Department, in 1980 we studied the work of farms which produce seed for the more important crop types.

During the nationwide study 70 percent of the farms producing wheat seed, 69 percent of the potato seed producers, 37 percent of the sunflower seed growers, 87 percent of sugar beet, 84 percent of corn, 61 percent of alfalfa, and 49 percent of the red alfalfa seed producers met the requirements.

These shortcomings clearly call attention to improving the standards of seed production. This, of course, depends on several factors but the following ones are the most necessary among these:

Creating the personnel conditions, which includes the necessary manual manpower (for selecting, hand pollination [corn], etc.) and high levels of professional preparation.

The technical and technological conditions (machinery, chemical fertilizers, plant protection chemicals, adequate drying capacity, cleaning equipment and storage capacity, etc.).

Application of the appropriate technology. At the present time in the cases of several types of plants the seed production technology is essentially the same as that of sale crop production, or some well functioning production systems may even be using more modern technology for sale crop production than many farms use for producing seed.

And finally, the correct selection of seed producing farms taking also into consideration the things mentioned above.

#### For More Concentrated Seed Production

At this time seed production is characterized by being divided into many small parts, which is proven also by the fact that each year about 1,100 agricultural operations produce seeds on 8,000 to 9,000 different parcels. Every year there is a turnover of some seed producing farms, thus these can not gain the appropriate experience.

The divided nature of seed production is especially conspicuous for some crop types. For example, the 3,200 hectares of seed growing area for autumn cabbage rape are located in 12 megyes on 32 farms. Even decreasing the risk of damage by the elements (frost, hail, disease, etc.) cannot justify such an extent of division.

In my opinion seed production should be concentrated into much fewer farms, to about 400 to 500.

This concentration would produce several advantages. The necessary personnel and technical--technological conditions would be easier created in fewer operations, which would lead to increased production standards. The income from seed production would be so high in some operations that the farm's management would have to take notice of it. The cleaning and warehousing capacities as well as the intellectual investments could be better exploited, and the research results could also spread faster.

#### Development of Regional Districts

The effect of production location, or of the regional districts on crop yields, quality and production reliability has long been recognized by the farmers. Based on this, regional districts have developed in this country also for the production of certain crops. For example, onion growing in the Mako area, spice paprika production in the vicinities of Kalocsa and Szeged, seed potato production in the vicinities of Góncruszka and Zirc, etc.

The borders of districts may change due to the effect of new information and technological progress, but this does not negate the fact that in one growing area the same crop will produce higher yields or better quality than in other growing areas. The most recent studies also support this correlation.

For autumn wheat the highest protein content was found in the Mid- and Lower Tisza regions. The highest average crop yields were supplied by producing regions with black earth-type soils such as the Bacska loess fields, and the loess plateaus of Mezofold, Southern Trans-Tisza Region, and Hajduság.

Thus the gradual development of regional seed production districts would be very advantageous for seed quality as well as for the success of seed production.

The three tasks introduced above are closely interrelated with each other, which means that concentration of seed production and selection of the farms must be coupled with developing regional districts.

#### Improvement of Type Maintenance

Based on the results of type development studies it can be concluded that in spite of the minor improvements achieved, the quality of type maintenance work must be further improved. According to the average of several years only 60 percent of the type development samples are free of foreign plant type impurities. The number of samples containing over ten percent foreign plant impurities, which is considered a very bad error, was three to four percent. In 1980 the number of entities containing more than four percent plants considered foreign, which is the maximum specified in the development of basic hybrid corn production material, was 17 percent.

In 1980, 33.3 percent of the elite grade tomato seeds developed were completely free of impurities, and 14.8 percent of the samples contained more than ten percent foreign plants.

These numbers prove that the quality of type maintenance can and must be improved. In the interest of this I would like to call attention to two important tasks:

[1] Composition of the basic materials and of the elite must be done with greater circumspection and stricter selection. Care must also be taken to properly supervise this work.

[2] Instead of the quantitative attitude prevailing in elite production, quality should come first.

I am convinced that improving the quality of type maintenance work is the place to start improving seed quality.

#### Defining the Value Measuring Characteristics

Among resistance ability tests so far for corn the cold test recommended by Isely (evaluation of the ability to resist cold), and for pea seeds the Matthwev [sic-- Mathew?] and Brandnock electrical conductance ability method (conductivity test) are most significant.

In measuring electrical conductive ability we measure the quantity of ions leached out by soak water with the appropriate instrument, and deduce from this whether the pea seed can be planted early and in a cool environment.

A number of seed vigor evaluation methods are being experimented with in addition to the ones mentioned above, such as, for example, the aleuron test for corn, the TTC [expansion unknown] vigor test, the sprout growth measurement devised by Germ, the polyethyleneglycol (PEG) test, and the water stress method.

In essence, these methods do not measure germination attainable under optimum conditions but germination ability attainable under the harsher conditions of the plowfields. The characteristics determining the seed's value can be determined more accurately by these. Exactly because of this, their application and popular acceptance can be an important tool for improving seed quality.

Expanding the system of multi-year contracts and establishing prices which provide better incentives for producing good quality [seeds]--which will make greater differentiation possible between the various grades and qualities of seeds--are also important in seed production.

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## BRIEFS

HEIFERS FOR PRIVATE SECTOR--The Livestock Trading and Meat Industry Trust together with its affiliates is advertising a move to turn over heifers-with-calf of Hungarian stock to small producers on highly advantageous terms. The aim is to place 8,000-10,000 heifers annually in the care of household plot holders under conditions which will not require a major initial financial outlay of them. Under one set of terms, the keepers will receive interest-free credit which can be repaid in three years either with cash or fatted young cattle. On the other hand, if the small producer elects to buy the heifer-with-calf outright through credit, the meat industry will pay interest on the loan to the National Savings Bank. In this case, the heifer becomes the property of the keeper as soon as it is put in his charge. Under this arrangement, the keeper qualifies for state support which is an additional benefit. In this event, the credit is to be repaid in four years. [Text] [Budapest NEPSZABADSAG in Hungarian 24 Jul 81 p 8]

CSO: 2500/328

## PROVISIONS OF 1981-1985 FIVE-YEAR PLAN ANALYZED

Bucharest REVISTA ECONOMICA in Romanian No 27, 3 Jul 81 pp 4-5, 7

[Article by Dr Dan Popescu: "More Intensive Development of the Romanian Economy"]

[Text] The Five-Year Plan for 1981-1985, which was recently discussed and approved by the Congress of Workers Councils and the Plenum of the RCP Central Committee and ratified by the Grand National Assembly, covers a period of great importance to the national economy's progress and to the people's greater material and cultural welfare. The plan provisions indicate further dynamic development of the economy. The steady growth of the industrial and agricultural outputs (at average annual rates of 8.8 percent for the net industrial output and 7.6 percent for the gross output, including 4.5-5.0 percent for the agricultural output), an investment volume of 1.2 trillion lei up 267 billion lei from the last period, and a dynamic foreign trade (with an average annual growth rate of 11.9 percent) will provide for the resources to further enhance the workers' welfare, since the nominal and real wages for the period will be increased by 24.8 and 15.5 percent respectively, farmers' incomes by 18 percent, retail sales by 26.6 percent, and services by 76 percent. As the party secretary general pointed out at the Congress of Workers Councils, implementation of the plan provisions for harmonious growth of the productive forces and improvement of social relations and the living standard guarantees the goals set by the 12th Party Congress and the main strategic aim of making Romania one of the countries with a medium economic development by the end of this period.

This strategy is based upon the start of a new quality in management and planning and in all socioeconomic activity, upon widespread application of the advances of the technical-scientific revolution and intensive development of science and education, and upon all workers' occupational, scientific and cultural improvement. It meets the essential requirements for the increased productivity and economic effectiveness and the sharply reduced material and energy inputs that are critical to enhancement of the competitive power of Romanian products on the world market. Actually it is a matter of transition from extensive development, or progress based upon consumption of materials and manpower in proportion to the extent of development, to intensive development, or progress based upon the lowest possible material and manpower consumption on the same developmental level, which requires an intensive and steady growth of creativeness, invention and input of intelligence and intellect.

## Striking Qualitative Factors

The forms taken in this period by the most general correlations between the investment effort and the evolution of the social product and the national income are indicative of the radical change in the national economy planned for 1981-1985 (See table). The figures in the table indicate for the 1981-1985 period (especially in comparison with the last five-year plan) the lowest number of units of growth of investments that are necessary to obtain a gain of 1 unit in the social product and the national income. This brings out the increased effectiveness of both the investments and the use of the already existing material and manpower potential.

### Investment Efforts Necessary To Increase the Social Product and the National Income (in %)

1 Indicatorii	2 Dinamică		3 Dinamică investiții		3 Dinamică investiții
	5 Inves- tiții *	6 Produs social	7 Venit național	8 Dinamică produs social	9 Dinamică venit național
4 Perioada					
1971—1975	165	165	171	1.000	0.965
1976—1980	167.5	139.6	141.5	1.200	1.183
1981—1985	128.8	134.3	141.1	0.960	0.913

\* Dinamică pe cinci ani: 10

- |                             |  |
|-----------------------------|--|
| 1. Indicators               | 6. Social Product                          |
| 2. Evolution                | 7. National income                         |
| 3. Evolution of investments | 8. Evolution of social product             |
| 4. Period                   | 9. Evolution of national income            |
| 5. Investments              | 10. Evolution according to five-year plans |

The entire plan is generally characterized by this way of intensifying the economy, based on the important results achieved in national socioeconomic development and calling for the joint action of some structural changes and some socioeconomic factors and levers for further involvement of the masses and for heightening the responsibility and satisfactions of every worker in the qualitative development of the economy. It provides the vital factors for economic progress and prosperity under the severe restrictions caused by the world crisis in raw materials and energy and the increasingly keen competition on the world market. But let us examine more thoroughly some of the factor for the primarily intensive growth of the Romanian economy in the present period.

The priorities in the current five-year plan are on more intensive development of the raw material base, energy resources, and agriculture. As the party secretary general pointed out at the recent Plenum of the RCP Central Committee, production of crude oil, coal and other minerals and agricultural production must be increased indefinitely because they form a solid basis for development of industry and the economy and for raising the living standard. It is planned to meet more of the material requirement for development from domestic sources, to a great extent obviating imports at escalating prices, especially crude oil but also coking coal, iron ore, nonferrous metals, cotton etc., and to obtain the agricultural resources for a more demanding and diversified public consumption with high nutritive parameters.

Consequently the extractive industry as well as the intensive sectors of agriculture are showing higher growth rates than in the last period. It is a complex process based on extensive actions and measures. It is intended to intensify geologic activity for discovery and exploitation of new useful substances as well as development of technologies that will permit working all deposits that we have as economically as possible and suitable use of the ores and products from deposits in industry and all sectors of the economy. The party secretary general pointed out, "We must definitely begin to produce materials in Romania for electronics, nuclear energy and aviation as well as other special materials." In the energy sector it is planned to emphasize energy production based on coal and water-power resources and gradually reduce consumption of petroleum products and gases, to build power stations based on bituminous shales and the first nuclear electric power station, to intensify use of unconventional energy sources, etc.

Procurement of the material and energy requirements for development and the whole process of economic growth are accompanied by intensified processing of the raw materials and materials, greater productivity in operations, and better use of the potentials in all sectors of the economy. Measures are planned in the energy sector to improve the operation of the coal-based electric power stations and to increase their productivity. It is intended to strictly curtail the energy inputs throughout the economy and to considerably reduce them per unit of national income. The proportion of complex activities making better use of the resources and requiring limited energy inputs is being increased throughout all industry.

Thus in machine building and in the chemical and crude oil processing industries (with average annual growth rates of 8.8 and 10.2 percent respectively, far above the growth rate of all industry) it is intended to emphasize development of electronics, micro-electronics and equipment for automation and control of production, to make new and better products of plastics and chemical threads and fibers, to develop fine chemistry, and to produce special materials for electronics and other sectors of activity. They are products that help to promote technical progress throughout the economy and to produce advantageous exports. This has made it possible to considerably reduce the material and energy inputs in the economy. An important part in that is played by the continued effort on a higher level to standardize the products, reducing the unduly large number of products and by-products in all sectors.

Recycling of materials and reconditioning of parts and subassemblies are basic factors for better use of the potential and rational procurement of the nation's raw material and energy base. The fact that the material balance of development is planned so that up to 50 percent of the requirement for materials, parts and subassemblies is to be met this way in all sectors calls for resolute efforts on all levels to collect those materials promptly and to develop methods of recycling them. They are measures that are to be taken simultaneously to eliminate as soon as possible the situations where, despite the legislator's provisions, some kinds of materials are not collected because there are no packing, transport means or adequate storage space at the time, or they are collected but the respective efforts are compromised because the technologies for their use and exploitation are not yet perfected.

#### Full Involvement in Intensive Development

Among the specific measures to be taken in every enterprise and economic unit, the material and energy consumption norms must be regarded as most important. Not one of them is to be exceeded because the material balance of the plan is closely calculated



on the basis of those norms. On the other hand, a regular effort is required to perfect the technologies and renovate the products on the basis of the lowest possible material inputs. Many of the set norms are still much higher than those in other countries, and in view of the advanced technical equipment in the Romanian units and the possibilities evidenced by many technical and economic personnel and workers in the units, this indicates great reserves for further reduction of consumption and enhancement of the technical and economic performances of the products. Only under such conditions, through better use of the machines and installations, better organization, and perfect order and discipline can we increase effectiveness, secure a high competitive power of Romanian products on the world market, and increase our exports considerably. Those efforts are urgently necessary because, in addition to intensified cooperation in production (especially in the form of mixed companies and enterprises) with all states, increased exports provide for formation of the foreign exchange resources essential to imports, repayment of the credits contracted for, and discharge of Romania's foreign debt.

The pronounced gain in labor productivity, whereby almost all of the production increase is obtained, is an important indication of the intensity of development in the present period. The greater productivity and effectiveness are not reflected solely by the average annual growth rate of 7 percent at which that indicator is planned to rise in industry (a level close to the one in the last period but based on a considerably higher point of reference), but also on the fact that in the current five-year plan the increase in personnel is about 40 percent less than in the last one, although it is planned to increase the number of personnel by more than 600,000 men and the growth rates of the economy are still high. Better use of manpower in industry, agriculture and the whole economy, transfer of workers to work on several machines, mechanization of all agricultural operations, intensified automation and introduction of industrial robots are the main ways in which productivity is to be increased and every worker's efficiency is to be enhanced.

Attainment of the rates and levels of this five-year plan critically depends upon exemplary fulfillment of the tasks by every unit in the economy. The action of the new economic-financial mechanism is an essential means to exemplary plan fulfillment and to higher levels of activity in the units. It provides for the more intensive involvement of every worker and his sense of responsibility in the process of managing and conducting the activity, which is essential to the operation of all sectors on the principles of self-management and self-administration, in order to make profits and thereby increase the national income and the national wealth. The measures to update prices so that they will reflect the actual production costs and the higher costs of imported raw materials and energy sources serve the same purpose by encouraging better use of the material potential.

The measures that will permit increasing every worker's material incentive to produce are highly important, because actually egalitarian distribution for a quantitatively and qualitatively unequal activity, lavish use of personnel for operations actually requiring less outlay of labor, and sharing in profits without a corresponding share in their production (oversights looming large in the present compensation system) cannot encourage the effort toward greater productivity or a qualitatively superior performance. That is why the party secretary general requested immediate elimination of those defects and encouragement by every means, and especially by higher incomes, of interest in quality work performed under better conditions of productivity, efficiency and creativeness.

## Science and Occupational Training as Factors for Economic Progress

Science, research and constant occupational improvement of personnel are closely involved in the process of intensifying Romania's economic development in this period. To this end the plan makes major provisions for better guidance of research work on problems and groups of problems, for expediting research and transition from the laboratory or pilot stage to the industrial stage, for forming product research groups working directly in the productive units, and for better integration between science, education and production. Moreover satisfaction of the demands of economic effectiveness, productivity and quality of development in this period critically depends upon qualification work, personnel retraining, and professional and technical improvement of workers, experts, engineers and other specialists. The party secretary general said, "Let it be well understood that without continuing improvement of the professional and technical qualifications of all personnel the goal of transition to a new quality throughout the economy and social activity cannot be reached, nor can a higher technical level of production be attained." Therefore professionalism, training, the capacity for technical and economic comprehension and discrimination and complete exploitation of that capacity are in the first rank of activity. This is especially true in a period when, for the Romanian economy, progress does not mean words, the effort to find excuses for failures, procrastination or indifference (which still occur at times), but the general leap to a new quality and better planned and performed work with the best possible concrete, physical results.

The provisions and substantiation as well as the economic-financial and social levers and mechanisms provide every opportunity for precise fulfillment of the tasks of this five-year plan. To this end the steadfast, persevering and dedicated effort of everyone to regularly accomplish all objectives at the planned levels, to make the planned savings in materials and energy, and to enhance operational efficiency by every means is now essential. With the difficulties caused by the world crisis in raw materials and energy and the world economic and political situation of an unprecedented complexity, it is more clear than ever that accomplishment of the social aims of this five-year plan and those of the people's greater material and cultural welfare directly and critically depends upon achieving the planned results for the strongly qualitative and intensive development of the Romanian economy.

5186

CSO: 2700/315

LAW ON PROTECTION OF INVENTIONS, TECHNICAL IMPROVEMENTS, DISTINGUISHING MARKS

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 34, 19 Jun 81 pp 897-914

[Law passed by the SFRY Assembly in a session of the Federal Chamber on 9 June 1981]

[Text] I. General Provisions

Article 1

This law regulates protection of inventions, technical improvements and distinguishing marks and also protection of the rights of creators and holders of rights as set forth in this law, for the sake of the following:

- 1) encouragement of creativity through which contemporary domestic technology is developed, the productivity of social labor is increased, the quality of products, processes and services is improved, and the material basis of associated labor is expanded;
- 2) creation of conditions for expansion of technological cooperation on an equal footing with other countries and inclusion in the international division of labor in the domain of technological creativity;
- 3) application of inventions in production;
- 4) protection of the interests of consumers and the interests of organizations of associated labor on the unified Yugoslav market;
- 5) protection and improvement of the environment.

Article 2

An invention shall be protected by a patent.

Distinguishing marks (new body shapes, pictures and drawings, marks pertaining to goods and services, and geographic appellations of products) shall be protected as follows:

- i. new body shapes, pictures and drawings--by a design or pattern;
- ii. marks pertaining to goods and services--by a trademark or service mark;
- iii. geographic appellations of products--by a product mark of origin.

A technical improvement shall be protected under the conditions and in the manner regulated in the general self-management act of the organization of associated labor or the general act of another civil juridical person, in conformity with this law.

#### Article 3

Rights granted on the basis of this law may not be used contrary to the interests of society that protected inventions and distinguishing marks shall be used.

#### Article 4

Organizations of associated labor have the right and duty to use inventions and distinguishing marks as means of social reproduction in conformity with the nature and purpose of those means, in a manner that is socially and economically purposive, and in the manner defined by this law, by the self-management accord or by other general self-management acts.

#### Article 5

Inventions and distinguishing marks shall as a rule be used in self-managed associated labor through the free pooling of labor and socially owned assets.

#### Article 6

Organizations of associated labor shall encourage a creative attitude of workers toward their work on a permanent basis toward the purpose of steady improvement of the material basis of their own and all social labor by developing new products, production processes and organizational schemes and improvement of existing ones.

#### Article 7

Sociopolitical organizations, trade unions and other sociopolitical organizations, and also economic chambers shall encourage the conclusion of self-management accords and social compacts in order to harmonize socioeconomic relations and interests and other self-management relations and interests with respect to optimum use of protected inventions, technical improvements and also designs and patterns in organizations of associated labor.



## Article 8

Inventors and other creators whose creations are protected on the basis of this law shall have the moral and material rights to their creations set forth by this law.

Aside from the rights referred to in Paragraph 1 of this article, originators shall also have other rights as set forth in law and general self-management acts.

## Article 9

For the purpose of this law a person who has provided only technical assistance in the origination of a creation shall not be regarded as an originator.

## Article 10

A worker in associated labor who has a specific proposal for solving a particular technical problem related to production of the basic organization of associated labor in which he is associated has the right to demand that the soundness of his proposal be subjected to professional verification.

In a general self-management act the basic organization of associated labor shall regulate the procedure for exercise of the worker's right stated in Paragraph 1 of this article.

In the general self-management act the basic organization of associated labor shall also regulate procedure for verification of the soundness of the proposal for solving a particular technical problem when the individual submitting the proposal has not associated his labor in the framework of that organization of associated labor, but the proposal does pertain to that organization's activity.

## Article 11

It is the creator's moral right to be designated as the creator in the application and all papers pertaining to patents, designs and patterns.

If a creation protected by this law is the result of the creative work of more than one individual, all those individuals shall be cited as originators in the papers referred to in Paragraph 1 of this article.

Aside from the moral rights referred to in Paragraph 1 of this article, other moral rights of the originator may also be provided for in law and a general self-management act.

## Article 12

The originator's material right to a creation embraces his right to use his creation and to dispose of it and to exercise the right to compensation and reward in the cases and in the manner envisaged by this law and general self-management acts.

A worker who through an invention or other form of creativity has in his labor with socially owned assets contributed to augmentation of the income of the basic organization of associated labor shall be entitled on that basis to a share of income in that organization in the form of a specific compensation, which he shall moreover enjoy over the entire time the invention or other form of creativity is used, but not to exceed the legal duration of protection.

#### Article 13

Any provision in a general self-management act or compact and any statement a worker makes in associated labor waiving in advance the moral and material rights to which he is entitled on the basis of this law as an originator shall be null and void.

#### Article 14

No organization of associated labor, other domestic juridical person or Yugoslav national may seek protection of inventions and distinguishing marks abroad without having previously filed an application with the federal organization competent for matters of patents and distinguishing marks (hereafter referred to as the "Bureau") for recognition of the respective right protecting the inventions and distinguishing marks in the Socialist Federal Republic of Yugoslavia.

A domestic juridical person or Yugoslav national may not seek protection of an invention abroad within 3 months from the date when the application is filed with the Bureau.

#### Article 15

Foreign juridical persons and foreign nationals shall enjoy the same rights with respect to protection of inventions and distinguishing marks in the Socialist Federal Republic of Yugoslavia as domestic juridical persons and Yugoslav nationals, respectively, if this follows from international treaties and conventions or from application of the principle of reciprocity.

The existence of reciprocity shall be proven by the person who asserts reciprocity.

#### Article 16

In proceedings before domestic courts and administrative agencies foreign juridical and natural persons shall exercise rights under this law through an authorized representative who engages in representation as a profession and who is a domestic juridical person or national of the Socialist Federal Republic of Yugoslavia.

#### Article 17

The administrative business pertaining to protection of inventions and distinguishing marks shall be performed by the Bureau.

No appeal is permitted against decisions of the Bureau made on the basis of this law, but an administrative dispute may be conducted.

#### Article 18

The Bureau is required to make its documentation and information on the state of the art and on the rights protecting inventions and distinguishing marks accessible to organizations of associated labor and other self-managed organizations and communities and other interested persons.

#### Article 19

The Council of the Bureau (hereafter the "Council") shall be established in the Bureau as an advisory body for the consideration of matters of principle pertaining to development of inventions, technical improvements and distinguishing marks, to their protection and use, and also to patent and licensing policy, but especially for the purpose of fuller enforcement of the provisions of the Law on Associated Labor, this law and other federal enactments in this area.

The Council shall be made up of one member from each republic and each autonomous province and one representative from each of the following: the Yugoslav Economic Chamber, the Federation of Yugoslav Inventors and Originators of Technical Improvements, and those federal administrative agencies and federal organizations designated by the Federal Executive Council.

The members of the Council shall be appointed by the Federal Executive Council, but the members from the republics and autonomous provinces shall be nominated by the executive council of the republic assembly or the executive council of the assembly of the autonomous province. Members of the Council shall be appointed to a term of 4 years and may be reappointed for one successive term.

If the director of the Bureau does not concur in the opinion of the Council on the matters referred to in Paragraph 1 of this article, he must so inform the Federal Executive Council, which shall make a decision.

The Council shall adopt an operating procedure to govern its proceedings.

The Bureau shall perform specialized and technical functions for the Council.

## II. Types of Rights Protecting Inventions and Distinguishing Marks

### 1. The Patent

#### Article 20

The patent protects an invention which constitutes a new solution to a technical problem which has been defined, which is the result of creative work, which is industrially and technically feasible, and which can be used in industrial production or in another economic or noneconomic activity.

Principles and rules, scientific discoveries and computer programs shall not be regarded as inventions.

#### Article 21

An invention is new if it was not covered by the state of the art before the application was filed for recognition of a patent (hereafter "patent application").

An invention shall be considered embraced by the state of the art in the following cases:

- 1) if it has been made accessible to the public by publication, exhibition, display or use in a manner which makes it possible for specialists to use the invention;
- 2) if it does not differ essentially from inventions previously filed for or made accessible to the public before the filing of the patent application, except in the case of inventions on which the applications have been withdrawn before publication of the decision granting the patent.

The judgment as to whether an invention filed for is new shall not be influenced by the fact that the invention has become accessible to the public without the inventor's consent within a period not to exceed 6 months before the date when the patent application was filed.

#### Article 22

An invention shall be regarded as the result of creative work if the solution of a technical problem for a specialist obviously does not arise out of the known state of the art.

#### Article 23

The following may not be protected by a patent:

- 1) inventions whose publication or use is unlawful or contrary to the morality of a socialist self-managed society;
- 2) chemical products, except for chemical processes of obtaining them;
- 3) alloys, except for processes for obtaining them;
- 4) pharmaceutical products and foodstuffs for humans and animals, manufactured fertilizers, pesticides, herbicides and fungicides, except the chemical processes for obtaining them;
- 5) inventions which pertain to the production and use of nuclear fuel;
- 6) devices and agents for protection against contamination and processes for obtaining such agents;



7) plant and animal species, biological procedures for obtaining them and microorganisms, except the procedure for obtaining microorganisms and the process for obtaining products obtained by their means;

8) a mixture of two or more substances.

#### Article 24

An addition to an invention or an improvement of an invention may be protected by an additional patent.

#### 2. The Design and Pattern

#### Article 25

The new external shape of a particular industrial or handicrafted product or part thereof shall be protected by a design.

A new picture or drawing which can be imparted to a particular industrial or handicrafted product or part thereof shall be protected by a pattern.

Photographic and cartographic work, engineering plans and sketches shall not be protected by a design or pattern.

#### Article 26

A shape, picture and drawing is new if it essentially differs from those previously filed and those made accessible to the public before the application was filed, except those on which the application was withdrawn before publication of the decision recognizing the design or pattern.

The judgment as to whether a shape, picture or drawing for which an application has been filed is new shall not be influenced by the fact that it became accessible to the public without the author's consent within a period not to exceed 6 months before the date when the application was filed.

#### Article 27

A shape, picture or drawing may not be protected by a design or pattern:

- 1) if its publication or use is unlawful or contrary to the morality of a socialist self-managed society;
- 2) if it contains the seal, flag or emblem of a state or other public entity, the name or abbreviation of the name of any country or international organization, or any imitation thereof, except by permission of the competent body of that country or organization;
- 3) if they represent the image of some person, except with the consent of that person.

The image of a deceased person may be protected only with the consent of the spouse or children of the deceased, and if the parents of the deceased are living, their consent is also required.

The image of a historic or other notable personality who is deceased may be protected if a permit is issued by the competent authority.

### 3. The Trademark and the Service Mark

#### Article 28

A mark intended in commerce to distinguish goods or services of the same or similar kind shall be protected by a trademark or service mark (hereafter referred to as "trademark").

An ink stamp, an embossed stamp and a puncheon (official mark used in marking precious metals, weights and measures, etc.) shall not be regarded as a trademark for the purpose of this law.

#### Article 29

Only a mark which is suitable for distinguishing goods or services in commerce, such as a picture, drawing, word, expression, vignette, monogram, combination of these marks or a combination of colors may be protected by a trademark.

All circumstances shall be taken into account in judging whether a mark is suitable for distinguishing goods or services in commerce, but in particular the time and extent of use of the mark in the sale of goods and services in the Socialist Federal Republic of Yugoslavia up to that date.

#### Article 30

A mark may not be protected as a trademark as follows:

- 1) if it is unlawful or contrary to the morality of a socialist self-managed society;
- 2) if it is not suitable for distinguishing goods or services in commerce;
- 3) if it denotes the type of goods or services, their purpose, their time or manner of production, quality, price, quantity, weight, place name or geographic origin;
- 4) if it is customary for denoting a particular type of goods or services;
- 5) if in its appearance or content it could create confusion in commerce, in particular if it could cause the average consumer to make an error concerning the origin, type, quality or other characteristics of goods or services;

- 6) if it contains official marks or puncheons used for monitoring and guarantee of quality or if it imitates them;
- 7) if it is identical with a previously protected mark of another person for the same or similar type of goods or services;
- 8) if it is similar to a previous'y protected mark of another person for the same or similar types of goods or services when that similarity could deceive the average consumer;
- 9) if it contains the seal, flag or emblem of a state or other public entity, the name or abbreviation of the name of any country or international organization or an imitation thereof, except by approval of the competent authority of that country or organization.

An image or name of an individual may be protected only with consent of that individual.

The image or name of a deceased person may be protected only with consent of the spouse and children of the deceased, and if the parents of the deceased are living, their consent is also required.

The image or name of a historic or other notable person may be protected with permission of the competent authority.

#### Article 31

If a trademark consists of words or letters or a combination of words and letters, protection shall cover those words, letters and combinations, their transcriptions or transliterations, written in any type of letter, in any color, or whatsoever their manner of expression.

#### Article 32

A trademark which contains inscription, words or combinations of letters shall not preclude the write of another person to place his goods or services on sale under the same inscription, words or combinations of letters if such inscriptions, words or combinations of letters constitute the latter's name, trade name or appellation, provided they have not been acquired in an unconscionable manner.

A person who at the time when application is filed for a trademark had a name, trade name or appellation identical to the trademark of another person may contest that trademark on the same or similar type of goods or services unless the holder of the trademark had the same name, trade name or appellation at the moment of filing.

#### Article 33

A mark protected by a trademark shall not preclude the right of another person to use the same or similar mark in commerce to mark goods or services of another kind.

One person may apply for protection of the same sign for several types of goods or services and for protection of several different marks for the same type of goods or services.

#### Article 34

An organization of associated labor, a business community, a general association of organizations of associated labor or other self-managed organization or community may protect a particular mark as a collective trademark in order to safeguard the right of use of that trademark on goods or services of other organizations of associated labor or other persons.

Under the conditions stated in this law a foreign legal person may also protect a particular mark as a collective trademark.

#### Article 35

The applicant for a collective trademark must append the general self-management act or general act on the collective trademark to his application.

The general act referred to in Paragraph 1 of this article must contain the following: the trade name or appellation of the applicant and appellation of the entity or person authorized to represent the applicant, provisions as to who has the right to use the collective trademark and under what conditions, provisions on the rights and obligations of users of the collective trademark in case of trademark infringement, and also provisions on the measures and consequences in case the provisions of the general act are not adhered to.

#### Article 36

The provisions of this law shall also apply to trademarks which self-employed persons use in the conduct of their business.

#### 4. Product Mark of Origin

#### Article 37

The place name of a product whose particular characteristics are predominantly dependent upon the place or region where it was produced shall be protected by a product mark of origin if those characteristics have come about by natural means, under the influence of climate or soil, or by an established manner or process for production or manufacture.



The appellation of a product which through long use in commerce has become generally known as indication that the product originates in a particular place or region may also be protected by a product mark of origin.

#### Article 38

The place name of a product which through long use in commerce has become generally known to indicate a particular type of product may not be protected by a product mark of origin.

#### Article 39

A product mark of origin may be used to mark natural products, farm products, industrial products, products of craftsmen and products of folk craftsmen.

The place name of a product's origin protected by a product mark of origin may not be transformed into generic and generally known names.

#### Article 40

After obtaining the opinion of the competent economic chamber in the republic or autonomous province the Yugoslav Economic Chamber shall designate the following: place names protected by a product mark of origin; products which may be put on sale with a particular product mark of origin; the place or region which is the origin of the product put on sale with a product mark of origin; the product characteristics which the product must meet to be placed on sale bearing the product mark of origin; the manner in which the product is to be marked; and more detailed conditions for recognition of the right to use particular product marks of origin.

#### Article 41

A product mark of origin shall be established by entry of the place name of the product and type of product to which the appellation pertains in the register of protected product marks of origin.

Entry in the register referred to in Paragraph 1 of this article shall be made by the Bureau automatically on the recommendation of the Yugoslav Economic Chamber.

#### Article 42

Only persons producing or placing on sale the product on which a product mark of origin has been established and who as authorized users of that sign are entered in the register of users of protected product marks of origin may use a product mark of origin.

Entry in the register referred to in Paragraph 1 of this article shall be made by the Bureau automatically on the recommendation of the competent economic chamber in the republic or autonomous province.

#### Article 43

An unauthorized person may not use a product mark of origin even if he adds to that mark the word "type," "manner," "process," or the like.

#### III. Content of the Rights Whereby Inventions and Distinguishing Marks Are Protected

#### Article 44

The holder of a patent, design or pattern shall enjoy the following rights:

- 1) the right to use and not to allow other persons to use the protected invention, shape, picture or drawing in production;
- 2) the right to put on sale articles manufactured according to the protected invention, shape, picture or drawing;
- 3) the right to dispose of the patent or the design or pattern;
- 4) the right to compensation when another person uses his protected invention, shape, picture or drawing in production or the right to a share in income and other rights as set forth in a general self-management act.

#### Article 45

If an invention protected by a patent is used in production in the Socialist Federal Republic of Yugoslavia, only the holder of the patent, his legal heir and person who is authorized to use that invention in production shall acquire the right to put on sale the products manufactured according to the protected invention.

#### Article 46

The provision of Article 45 of this law shall also be suitably applied to putting on sale products manufactured according to a protected shape, picture or drawing.

#### Article 47

In the provisions of Articles 45 and 46 of this law use of an invention in production in the Socialist Federal Republic of Yugoslavia means a use of a technical solution contained in the protected invention or protected shape, picture or drawing in a production which in large part satisfies the needs of the Yugoslav market.

#### Article 48

The holder of a trademark has the exclusive right to use the trademark to mark his products or services in commerce, and the user of a collective trademark has

the right to use that trademark in conformity with the self-management accord or general act concerning that trademark.

The right referred to in Paragraph 1 of this article also encompasses use of the trademark on packaging materials, in catalogs and prospectuses, in instructions and advertisements, and on bills and letterheads.

#### Article 49

The authorized user of a protected product mark of origin has a right to use that mark in commerce to mark the products to which that mark pertains.

The right referred to in Paragraph 1 of this article also encompasses use of a protected product mark of origin on packaging materials, on business papers and in advertising.

#### Article 50

The rights referred to in Articles 44 and 48 of this law are acquired by recognition of a patent, design or pattern or a trademark and by registration of that right which has been granted in the respective register, but they shall take effect from the date when proper application was made for the granting of that right.

A person entered in the register of users of protected product marks of origin shall become an authorized user as of the date of registration and shall thereby acquire the right to use the protected product mark of origin for 5 years from the date of registration.

Upon application of the authorized user the right referred to in Paragraph 2 of this article may by decision of the Bureau be extended an unlimited number of times, each extension extending for a term of 5 years.

The extension shall be granted if conditions are met for acquiring the right to use the protected product mark of origin.

#### Article 51

The life of a patent shall be 7 years from the date of publication of the patent application.

The life of the design and pattern shall be 5 years from the date of application.

If during the life of a patent and of a design or pattern the protected invention or shape, picture or drawing is seriously and authentically used in production in the Socialist Federal Republic of Yugoslavia so that that production in large part satisfies needs of the Yugoslav market, the life of the patent shall be extended at the holder's request for another 7 years, and the life of a design or pattern another 5 years.

If a patent of addition becomes the basic patent, its term may not last longer than the term of the first basic patent to which the additional patent pertains. Upon expiration of the term of the basic patent, the additional patent shall also expire.

The decision to extend the life of a patent and design or pattern shall be made by the Bureau at the holder's request after having obtained the opinion of the Yugoslav Economic Chamber.

#### Article 52

The obligation of serious and authentic use of a protected invention, shape, picture or drawing in production in the Socialist Federal Republic of Yugoslavia persists throughout the entire life of a patent and design or pattern.

#### Article 53

The life of a trademark and protected product mark of origin is not restricted.

The holder of the trademark is required to use the trademark.

The obligation to use a collective trademark and protected product mark of origin shall be regulated in the acts establishing them.

#### Article 54

Fees shall be paid to acquire and maintain the validity of the rights under this law in accordance with the Law on Schedule of Federal Administrative Fees, and special costs of proceedings shall be paid pursuant to a regulation enacted by the Federal Executive Council in accordance with the Law on General Administrative Procedure.

Failure to pay the fee and costs in proceedings for recognition of a right shall be regarded as withdrawal of the application, and the consequence of nonpayment of the fee and costs for maintaining the life of a right already recognized is the loss of that right.

#### Article 55

A right already recognized, as referred to in Articles 51 and 53 of this law, shall cease even before expiration of the terms envisaged in the provisions of those articles:

- 1) if the holder waives the right--on the day after he files the waiver with the Bureau;
- 2) if the prescribed fees and costs are not paid--on the day after the expiration date of the period for their payment;



3) on the basis of the court order or decision of the Bureau in the cases envisaged by this law--on the day designated in that order or decision;

4) if the juridical person which is the holder of the right has ceased to exist or if the natural person who is the holder of the right has died--on the date of the cessation or death, unless that right has passed to the legal successors of the juridical person or to the heirs of the natural person.

#### Article 56

If a particular right has been entered in the register of acknowledged rights to the benefit of a third person (license, lien or the like), the holder of the patent, design or pattern, or trademark may not waive his rights without the written consent of the person in whose name the license, lien or other right was entered.

If the holder of a patent, design or pattern, or trademark does not pay the prescribed fee within the period specified, and a license, lien or any other right on behalf of a third person is entered in the register, the Bureau shall inform that person that the fee has not been paid and that such person may pay the fee within the period of 6 months from the date of the notice and thereby maintain the validity of the right which has been entered.

In case of a dispute concerning preservation of the rights of a third person which have been entered, the court may rule, if this is necessary to preserve those rights, that the patent, design or pattern, or trademark be transferred to the person on whose behalf the license, lien or other right was entered.

#### Article 57

If a trademark expires on the basis of the provision of Article 55, Point 2, of this law, the holder of the trademark has the exclusive right for 1 year from the date of expiration of the life of the trademark to demand that the trademark again be registered in his name for the same type of goods or services.

#### Article 58

The filing of an application for a patent or the filing of an application for a design or pattern and the issuance of a decision recognizing the right to a patent, design or pattern shall not affect the right of another person to use that same invention, shape, picture or drawing without any obligations whatsoever if before the filing of that application he was conscientiously using that invention, shape, picture or drawing in a manner not public in the Socialist Federal Republic of Yugoslavia or had prepared everything necessary for their use.

#### IV. Self-Management Regulation of Rights to the Use of Inventions Created Within Associated Labor

##### Article 59

The basic organization of associated labor may use any invention which is protected by a patent in the name of another basic organization of associated labor which is a part of the same work organization or associated in the same complex organization of associated labor, under the conditions and in the manner regulated by the self-management accord on entry into association to form the work organization or the complex organization of associated labor.

##### Article 60

The self-management accord on pooling the labor of workers to form the basic organization of associated labor, the self-management accord on entry into association to form the work organization and the self-management accord on entry into association to form the complex organization of associated labor, or other general self-management act shall regulate mutual relations in connection with encouraging, organizing and financing research to create inventions and related to the protection and use of the inventions which result from that research.

##### Article 61

The self-management accord on entry into association of organizations of associated labor to form a business community or self-managed community of interest in material production, if that self-management accord regulates the encouragement, organizing and financing of joint research to create inventions, shall also regulate relations concerning the protection and use of the inventions resulting from that research.

The self-management accord referred to in Paragraph 1 of this article or specific general self-management act shall regulate the mutual relations of the associated organizations of associated labor related to the use of a protected invention possessed on whatever basis by complex organizations of associated labor or business community or self-managed community of interest in material production.

##### Article 62

If parties which are not associated in an organization of associated labor, or business community or self-managed community of interest, the self-management accord on the pooling of labor and capital or the contract on financing the research to create inventions concluded between the organization of associated labor which assumes the obligation to perform the inventive work and the organization financing that work shall regulate mutual relations related to the invention created.

Unless the self-management accord or contract referred to in Paragraph 1 of this article specifies otherwise, the invention shall belong to the organization of associated labor in which it was created.

#### Article 63

Every organization of associated labor shall have the right to use in its production an invention protected by a patent held by another organization of associated labor or other civil juridical person if it concludes with the holder of the patent a self-management accord on the pooling of labor and capital in which conditions are envisaged for use of the invention protected by a patent and for participation in the joint income realized through use of that invention.

Participation of the holder of a patent in the joint income realized through use of an invention protected by a patent shall encompass return of the value of a portion of the total funds invested to create the invention and a compensation for economic employment of that invention in proportion to the actual results of that employment.

The total funds referred to in Paragraph 2 of this article shall also embrace the total funds invested in research which directly or indirectly facilitated creation of the invention.

In a self-management accord concluded concerning use of an invention protected by a patent held by an organization of associated labor or other civil juridical person the parties to the self-management accord may envisage a special procedure for resolving disputes, including arbitration, which shall be used before the dispute is taken before a court of associated labor.

#### Article 64

An organization of associated labor which wishes to use an invention protected on behalf of another organization of associated labor must institute proceedings to conclude a self-management accord on use of that invention.

An organization of associated labor on whose behalf an invention is protected must within 60 days of the date when proceedings are instituted for conclusion of a self-management accord as referred to in Paragraph 1 of this article respond to the initiative for institution of such proceedings.

If the organization of associated labor on whose behalf the invention is protected does not respond within the prescribed period to the initiative for conclusion of a self-management accord on use of the protected invention, or if it responds that it does not accept the initiative, the organization of associated labor which is to use the invention protected by a patent shall so inform the public defender of self-management law, the regional economic chamber and the opstina trade union organizations which have jurisdiction at the location of the organization of associated labor in whose name the invention is protected within 8 days from expiration of the period prescribed for the response or from the date of receipt of the response rejecting the initiative for conclusion of a self-management accord on use of the invention.

If the self-management accord referred to in Paragraph 1 of this article is not concluded within 60 days from the date of receipt of the response accepting the

initiative for its conclusion, the organization of associated labor which took the initiative may so inform the public defender of self-management law, the regional economic chamber and the opstina trade union organization at the location of the organization of associated labor on whose behalf the invention is protected.

#### Article 65

If the participants in the procedure to conclude a self-management accord on use of a protected invention or the public defender of self-management law, regional economic chamber or opstina trade union organization at the location of the organization of associated labor on whose behalf the invention is protected judge that certain points of dispute ought to be specifically examined for the sake of conclusion of that self-management accord, they may propose establishment of an arbitration committee to take positions on the matters in dispute.

If participants in proceedings to conclude a self-management accord as referred to in Paragraph 1 of this article concur in the proposal to establish an arbitration commission, they shall name an equal number of arbitrators within 10 days from the date of receipt of the proposal. The arbitrators who have been named shall by agreement choose the chairman of the arbitration commission.

The arbitration commission is required within 30 days of the date of its establishment to examine the matters in dispute, to take a position concerning them and to so inform the participants in proceedings to conclude the self-management accord referred to in Paragraph 1 of this article.

Participants in proceedings to conclude the self-management accord referred to in Paragraph 1 of this article are required to resume such proceedings mindful of the positions of the arbitration commission within 30 days from the date of receipt of notice concerning the positions of the arbitration commission.

#### Article 66

An organization of associated labor which has taken initiative for conclusion of a self-management accord on use of a protected invention may file a motion with a court of associated labor that it rule on the right of use of that invention after expiration of a period of 6 months from the date when the proposal for conclusion of a self-management accord was submitted.

The court of associated labor shall reject the proposal for a ruling on the right of use of a protected invention unless proceedings have already been conducted for conclusion of a self-management accord on use of an invention in the sense of Article 64 of this law.

The court of associated labor shall establish the right of use of an invention protected on behalf of another organization of associated labor if it finds that use of the invention by the organization of associated labor which desires to use the invention protected on behalf of another organization of associated labor:



- 1) is not infringing upon the socioeconomic interests of the organization of associated labor on whose behalf the invention is protected;
- 2) could contribute to augmentation of the income of the organization of associated labor on whose behalf the invention is protected on the basis of its share in the joint income which would be realized by use of the invention by the organization of associated labor wishing to use the invention;
- 3) is not contrary to obligations in valid self-management accords or contracts previously concluded by the organization of associated labor on whose behalf the invention is protected;
- 4) is not contrary to good business usages.

In ascertaining conditions under the provisions of this article the court of associated labor shall obtain the opinion of the economic chamber in the republic or autonomous province in which the organization of associated labor on whose behalf the invention is protected is associated.

At the same time that it establishes the right of use of the invention, the court of associated labor shall also fix the amount of compensation for use of the invention or the patentholder's right to a share in the joint income realized in the sense of Article 63, Paragraph 2, of this law.

#### Article 67

Use of an invention protected by a patent may not commence before conclusion of a self-management accord on use of the invention or before the ruling of a court of associated labor becomes enforceable.

#### Article 68

In the case referred to in Article 63 of this law an organization of associated labor intending to use an invention protected by a patent held by another organization of associated labor or other civil juridical person must give notice of commencement of use of the invention to the Bureau, which shall record that notice in the appropriate register.

Upon cessation of the use of an invention protected by a patent the organization of associated labor which has been using it must give notice of cessation of the use to the Bureau for that fact to be recorded in the appropriate register.

#### Article 69

The provisions of Articles 59 through 68 of this law shall apply to basic cooperative organizations, basic organizations of cooperators, agricultural cooperatives, craft and trade and other nonagricultural cooperatives and contract organizations of associated labor, as well as to the workers or other working people within those organizations or cooperatives, in conformity with their status and rights, obligations and responsibilities regulated in the self-management accord on entry into association or in the contract on establishment and by law.

The provisions of Articles 59 through 68 of this law shall apply to work communities and organizations of associated labor and other civil juridical persons as well as to workers within those work communities, in conformity with their status and rights, obligations and responsibilities regulated in the self-management accord on mutual rights, obligations and responsibilities of the work community or in the contract and a self-management accord on entry into association, or in the act establishing the work community, and by law.

#### Article 70

The provisions of Articles 59 through 69 of this law shall be appropriately applied to acquired rights of use of patents.

### V. Procedure for Recognition of the Rights Protecting Inventions and Distinguishing Marks

#### 1. General Provisions

#### Article 71

The procedure for recognition of a patent, design or pattern, or trademark shall be initiated by a written application for recognition of the right (hereafter the "application") whose protection is sought.

The procedure for recognition of the right to use a protected product mark of origin shall be initiated on application of the interested person.

A separate application shall be filed for every right whereby inventions and distinguishing marks are protected as referred to in Paragraph 1 of this article and also for every invention, shape, picture or drawing, or mark.

The date and hour of the application's arrival in the Bureau shall be noted thereon, and a certificate to that effect shall be issued to the applicant at his request.

#### Article 72

As of the date and hour of submittal of a proper application to the Bureau for a patent, design, pattern or trademark, the applicant shall have priority over every other person who files a subsequent application for the same invention, shape, picture, drawing or mark.

If a description of the invention has not been submitted with the application, if a description and photograph or sketch of the shape, picture or drawing has not accompanied the application for a design or pattern, and if the application for a trademark has not been accompanied by the mark whose protection is being applied for, as well as a list of the products or services, priority shall commence as of the date and hour when these annexes to the application are received in the Bureau.

Priority on applications which Yugoslav nationals residing abroad temporarily file with the Bureau through diplomatic or consular missions of the Socialist Federal Republic of Yugoslavia abroad shall commence as of the date of receipt of the application in the diplomatic or consular mission.

#### Article 73

If an invention, shape, picture or drawing subsequently undergoes essential change or if there is subsequently a change in or addition to the type of product or service to which the mark applied for pertains, or if the mark applied for subsequently undergoes essential change, the priority under Article 72, Paragraph 1, of this law shall commence as of the date and hour of receipt in the Bureau of a description of the essential changes in the invention, description and photograph or sketches of the essential changes of shapes, picture or drawing or as of the date and hour of receipt in the Bureau of a specimen of the altered sign or altered and supplemented list of goods or services.

#### Article 74

A person who exhibits some invention, shape, picture or drawing or uses a particular mark for marking goods or services at an officially recognized exhibition (fair) of an international nature in the Socialist Federal Republic of Yugoslavia or in some member country of the International Union for Protection of Industrial Property may within 3 months from the date of closing of the exhibition (fair) seek in his application priority commencing as of the first date of the display or as of the date of use.

The application referred to in Paragraph 1 of this article must be accompanied by a written affidavit of the competent body of the member country of the International Union for Protection of Industrial Property to the effect that an officially recognized exhibition (fair) of an international nature was involved, along with indication of data concerning the type of exhibition (fair), the place where it was held, its opening and closing dates, and the first date of the display or date of use.

The affidavit that an exhibition (fair) held in the Socialist Federal Republic of Yugoslavia is an officially recognized exhibition (fair) of an international nature shall be issued by the Yugoslav Economic Chamber.

#### Article 75

A national of a member country of the International Union for Protection of Industrial Property who has duly filed application in some member country of that union shall be granted priority in the Socialist Federal Republic of Yugoslavia as of the date of filing, if he so requests, for a term of 12 months from the filing date for a patent and 6 months from the filing date for a design, pattern or trademark.

Whoever intends to take advantage of the priority referred to in Paragraph 1 of this article must accompany the application filed in the Socialist Federal

Republic of Yugoslavia within the period stated in that paragraph with all information on the application to which he is appealing, and within 3 months of the date of filing of the application for recognition of the priority, he shall append a copy of the application certified by the competent authority of the member country of the International Union for Protection of Industrial Property in which the first application was filed.

#### Article 76

The periods of time stated in Article 75 of this law shall not be extended by recognition of priority under Article 74 of this law.

#### Article 77

The application must contain information on the applicant and on the right whose protection is being sought.

If the application is not being filed by the inventor, the patent application must contain both the name of the invention and the name of the inventor or a statement to the effect that the inventor does not wish to be cited in the application.

Application for a trademark must also contain the mark whose protection is being sought, along with indication of the color or combination of colors, if protection is sought for a colored mark, as well as a list of the products or services marked and classified by the classes of the International Classification of Products and Services established by the Nice Arrangement on the International Classification of Products and Services.

#### Article 78

The patent application shall be accompanied by a description of the invention along with indication of what is new in the invention and what the applicant claims for patent protection (hereafter the "patent claim") and a sketch of the invention if necessary.

The invention must be described clearly and completely so that an average specialist could apply it in production from the description.

Along with the description of the invention the patent applicant must also state the best economic use of the invention he knows of.

#### Article 79

A description of the shape or picture or drawing and a photograph or sketch of the body shape or picture or drawing shall be appended to an application for design or pattern.

The description of the body shape or picture, drawing, photograph or sketch of the body shape must be such as to make evident the novelty for which protection is sought.



The stamp and imprint of the stamp shall accompany the application for a trademark, and the general self-management act or general act on the collective trademark shall accompany an application for a collective trademark.

#### Article 80

An application shall be deemed proper:

- 1) if a separate application has been filed in the sense of Article 71, Paragraph 3, of this law;
- 2) if it contains all the data and annexes and if they are clear and complete in the sense of the provisions of Articles 77 through 79 of this law.

#### Article 81

Upon receipt of the application the Bureau shall examine whether it is proper in the sense of the provisions of this law.

If it finds that the application is not proper, the Bureau shall call upon the applicant in writing, stating the reasons, to correct all the defects within a period which may not be longer than 3 months counted from the date of delivery of the notice.

At the applicant's request the Bureau may for good cause extend the period stated in Paragraph 2 of this article by no more than 3 months.

The right of priority of the first application shall be honored for all applications whose defects are corrected within the period stated in Paragraphs 2 and 3 of this article.

#### Article 82

If within the prescribed period the applicant does not correct all the defects he was required to correct under Article 81, Paragraph 2, of this law, and the application may not therefore be processed, the application shall be rejected in the form of a conclusion.

#### Article 83

If the application is proper in the sense of Article 80 of this law, it shall be examined as to whether it meets the conditions for recognition of the right for which protection is sought.

#### Article 84

The question of whether an invention filed for is new shall be examined only if proceedings have been instituted for complete examination of conditions for recognition of the patent in the sense of Article 95 of this law.

The novelty of a body shape, figure or drawing filed for must be examined with respect to any earlier protected design or sample in the Socialist Federal Republic of Yugoslavia.

The novelty of a mark filed for shall be examined only with respect to any previously protected trademark in the Socialist Federal Republic of Yugoslavia.

#### Article 85

A patent, design or pattern, or trademark shall be granted on the basis of a decision to the applicant who first filed the relevant application.

In the proceedings for recognition of a right the applicant who first filed the application which meets the conditions for the granting of a patent shall be regarded as the inventor or his legal successor, and the applicant who first filed the application meeting the conditions for recognition of a design or pattern shall be regarded as the author of the body shape, drawing or picture or his legal successor, unless otherwise stated in the application or otherwise established by order of a competent court.

#### Article 86

If several persons jointly file applications for a patent, design or pattern, a decision shall confer on each applicant the status of patentholder or the status of holder of the design or pattern.

The mutual rights of the applicants for a patent or design or pattern may not be set forth in the decision referred to in Paragraph 1 of this article.

#### Article 87

The Bureau may not issue a decision of rejection or a decision of qualified acceptance of an application for recognition of a right unless it has first informed the applicant in writing of the grounds on which it cannot honor the claim or cannot honor it to the extent requested or has not summoned the applicant to state his position on those grounds within a reasonable period or to amend or supplement the application.

The period stated in Paragraph 1 of this article may be extended to 6 months at the request of the applicant, supported by argument.

#### Article 88

A decision of recognition of a right shall be issued as follows:

- 1) for a patent--within the limits of the patent claim made;
- 2) on a design or pattern--within the limits of the salient novelty in the appended description or on the photograph or sketch;

3) for a trademark--within the limits of the proposed mark and appended list of goods or services.

#### Article 89

The extent of the protection recognized shall be defined in the decision referred to in Article 88 or this law:

- 1) on patents--according to accepted patent claims, but after procedure has been performed for complete examination;
- 2) on designs or patterns--according to the accepted body shape or according to the accepted picture or drawing, as shown on the accepted description and photograph or sketch;
- 3) on trademarks--according to the accepted mark and the list of goods or services.

#### Article 90

The Bureau shall enter in the appropriate register rights granted whereby inventions and distinguishing marks are protected, applications which have been filed for patents, designs, patterns and trademarks, and the right of use of the protected product mark of origin.

The entry in the register referred to in Paragraph 1 of this article shall include information on the holder of the right, the applicant, and especially the last name and first name or corporate name and title; occupation or line of business; address, name of the inventor or originator; application filing date; priority; date of publication of the application or decision recognizing the right and the date of registration.

All subsequent changes pertaining to the holder of the right and to the right itself (transfer of the right, contract license, compulsory license, lien, declaration of the decision null and void, termination of the right, etc.).

#### Article 91

The Bureau shall keep a register of patents, a register of designs and patterns, a register of trademarks and a register of protected product marks of origin.

The registers referred to in Paragraph 1 of this article shall be open to the public.

#### Article 92

After entry of the right has been made in the appropriate register, the holder of the right shall be issued a certificate containing information on the right which has been recognized, the holder of the right, the priority, the entry in the register, publication of the decision on recognition of the right and issuance of the certificate, as well as other prescribed information.

Information on the right protecting inventions and distinguishing marks which has been entered in the register shall be published in the Bureau's official gazette.

## 2. Special Provisions on Procedure for Granting of a Patent

### Patent

#### Article 93

A patent application meeting the conditions of Article 77 and Article 78, Paragraphs 1 and 2, of this law and which obviously is not contrary to the provisions of Articles 20 and 23 of this law shall be published after expiration of 18 months from the date when the application was filed or from the date of requested priority.

The patent applicant may file application for his application to be published before expiration of the period stated in Paragraph 1 of this article, but the application may not be published before expiration of 3 months from the date of its filing with the Bureau.

Upon expiration of the period stated in Paragraph 1 of this article, every person has the right to examine the application.

#### Article 94

A proper patent application which is obviously contrary to the provisions of Articles 20 and 23 of this law shall not be published in the official gazette of the Bureau.

The Bureau shall handle the application referred to in Paragraph 1 of this article in the sense of Article 87 of this law.

If in the procedure described in Article 84 of this law it finds that the patent application is not contrary to the provisions of Articles 20 and 23 of this law, the Bureau shall subsequently publish it.

If it finds that the patent application may not be published, the Bureau shall issue a decision rejecting the patent application.

#### Article 95

A petition may be filed for complete examination of the conditions for granting the patent by the applicant from the date of filing the application and by any other person from the date of its publication.

The fees and costs of proceedings for complete examination of conditions for granting of patents shall be borne by the person who requested that that examination be made.



#### Article 96

The complete examination of conditions for recognition of a patent shall ascertain whether at the moment of the acknowledged priority the invention met the conditions for protection in the sense of Articles 20 and 23 of this law.

The complete examination of conditions for recognition of a patent shall also ascertain whether the description is drawn up in conformity with Article 78, Paragraphs 2 and 3, of this law.

If a patent application for the same or similar invention has been filed in another country as well, the applicant must at the Bureau's request, in proceedings for complete examination of conditions for recognition of a patent, deliver certified translations of the results of examinations obtained in the other countries.

The usefulness of the invention shall not be examined in proceedings for complete examination of conditions for recognition of a patent.

#### Article 97

If within a period of 4 years from the date of publication of the applicant no petition has been filed for complete examination of conditions for recognition of the patent, the rights granted the applicant under this law shall terminate as of the expiration of that period.

#### Article 98

If in proceedings for complete examination of conditions for recognition of a patent it finds that the conditions for recognition of a patent have been met in the sense of Articles 20 and 23 of this law, the Bureau shall issue a decision of full acceptance of the application for recognition of the patent or qualified acceptance, depending on the results of that examination.

#### Article 99

After obtaining the opinion of the Council, the official who heads the Bureau shall issue regulations regulating in more detail which information shall be entered in the register, which information shall be contained in the certificate referred to in Article 92, Paragraph 1, of this law, which information shall be published under the provision of Article 94, Paragraph 3, of this law, as well as regulations regulating in more detail matters related to procedure for recognition of rights.

#### Article 100

The provisions of Articles 71 through 99 of this law shall also be applied in proceedings for recognition of an additional patent or patents on secret inventions, unless the provisions of this law pertaining to recognition of those patents provides otherwise.

## Additional Patent

### Article 101

If a patent applicant or holder of a patent adds to or improves the invention on which he has filed for a patent or has been granted a patent (hereafter "the principal patent application or principal patent"), he may seek an additional patent on the addition or improvement he has made.

Unless this law provides otherwise, the proceedings on an additional patent application shall be halted by withdrawal of the principal patent application.

### Article 102

At the request of the patentholder the Bureau shall establish in a decision that the additional patent has become the principal one if a decision granting the principal patent has been proclaimed null and void or if the patent has expired.

A proposal for establishing that an additional patent has become the principal patent shall be filed within a period of 3 months from the date when the decision proclaiming the principal patent null and void became final or from the date of its expiration.

### Article 103

If one or several additional patents become principal ones, the other additional patents may at the patentholder's request be related to this new principal patent as additional patents.

## Patent on a Secret Invention

### Article 104

Applications to patent inventions of domestic juridical and natural persons which pertain to national defense shall be regarded as confidential and shall be filed with the federal administrative agency competent for national defense affairs.

No appeal is allowed against the decision of a federal administrative agency competent for national defense affairs issued in an administrative case pertaining to a secret invention.

### Article 105

If the federal administrative agency competent for national defense affairs finds that the invention is not secret in the procedure of examining the application which has been filed, it shall deliver the application to the Bureau.

If in procedure to examine a patent application the Bureau finds that a secret invention is involved, it shall turn the application over to the federal administrative agency competent for national defense affairs.

#### Article 106

If after issuing a patent on a secret invention the federal administrative agency competent for national defense affairs finds that the invention has ceased to be secret, it shall turn over to the Bureau the entire case pertaining to that patent. After receiving the case, the Bureau shall enter the patent in the patent register and shall issue the patentholder a patent certificate and shall publish data on the patent in the sense of Article 92, Paragraph 2, of this law.

#### Article 107

The federal administrative agency competent for national defense affairs has the exclusive right to use a secret invention and to dispose of that invention.

The inventor shall be entitled to a lump-sum compensation for secret inventions protected by patent regardless of whether and to what extent the invention is used for the purposes of national defense.

The amount of the compensation referred to in Paragraph 2 of this article shall be established by agreement between the applicant and the federal administrative agency competent for national defense affairs. If agreement is not reached, the applicant may call upon the competent court to set the amount of the compensation in extrajudicial proceedings.

#### Article 108

A secret invention shall not be published.

Domestic juridical and natural persons may seek protection of a secret invention abroad only with permission of the federal administrative agency competent for national defense affairs.

#### Article 109

The provisions of Articles 104 through 108 of this law shall be appropriately applied to a patent application on inventions of domestic juridical and natural persons of interest to national security.

The federal administrative agency competent for national defense affairs shall be competent to decide on the application referred to in Paragraph 1 of this article.

#### Article 110

The Federal Executive Council shall prescribe which inventions shall be considered secret in the sense of Article 104, Paragraph 1, of this law as well as the manner for the granting of patents on such inventions.

## VI. Nullification of a Patent and Trademark

### Article 111

If a compulsory license has been unable to attain the purpose for which the license was granted, at the request of the interested organization of associated labor or other person, but after first having obtained the opinion of the federal administrative agency or federal organization competent for the field in which the invention is to be used, a patent may be nullified.

The petition to nullify a patent may not be filed before the expiration of 2 years from the date when the first compulsory license was granted.

### Article 112

If without good cause the holder of a trademark does not use the trademark to mark his products or services longer than 3 years from the date of entry of the trademark in the register or from the date when the trademark was last used, the trademark may be canceled at the request of an interested person.

A collective trademark may be canceled at the request of an interested person and if it is used contrary to the general self-management act or general act on the collective trademark. Cancellation shall be effective from the moment of impermissible use of the collective trademark.

### Article 113

A patent or trademark shall cease to be valid on the day when the decision nullifying the patent or canceling the trademark which has been issued by the Bureau becomes final.

## VII. Nullification of Decisions Recognizing Rights Protecting Inventions and Distinguishing Marks

### Article 114

A decision recognizing a right to protect an invention or distinguishing mark shall be nullified if it is found that the conditions envisaged by this law for the recognition of that right did not obtain, and in particular if the description of the invention accompanying the patent application is not clear and complete, so that an average specialist cannot apply it in production from the description.

### Article 115

The decision recognizing rights whereby an invention or distinguishing mark is protected may be proclaimed null and void for the entire life of the protection, and this may be done automatically, on the petition of an interested person or on the proposal of the public prosecutor.



The necessary evidence shall be submitted along with the proposal for nullifying the decision referred to in Paragraph 1 of this article.

#### Article 116

If the person filing a petition or proposal for nullifying a decision recognizing rights whereby an invention or distinguishing mark are protected withdraws the petition or proposal in the course of proceedings, the Bureau may continue proceedings automatically or at the request of the holder of that right.

#### VIII. Court Protection

##### 1. Protection of the Right Whereby Inventions and Distinguishing Marks Are Protected

#### Article 117

The holder of a patent, design or pattern and a trademark or the authorized user of a product mark of origin shall have the right to sue for cessation of further performance of an action whereby a violation of his right is committed and also for damages.

Aside from the right referred to in Paragraph 1 of this article, the suit may also demand the right that the verdict be published at the defendant's expense.

The competent court shall try the case concerning the suit referred to in Paragraphs 1 and 2 of this article.

#### Article 118

Any unauthorized use of a protected invention, body shape, picture or drawing in production and commerce or of a protected mark or geographic appellation of a product in commerce or any unauthorized disposition of a patent, design or pattern, trademark or product mark of origin is considered a violation of the rights protecting inventions and distinguishing marks.

Imitation of designs, patterns, trademarks and product marks of origin shall also be regarded as an infringement.

Imitation in the context of Paragraph 2 of this article exists if the average purchaser of the goods or the average user of the service, regardless of the type of goods or service, can detect the difference only if he pays particular attention or if the trademark or mark constitutes a translation or transcription of the trademark.

#### Article 119

A suit because of infringements of rights protecting inventions or distinguishing marks may be filed by the holder of a patent, design or pattern, or trademark, the authorized user of a product mark of origin and the holder of an exclusive trademark license.

#### Article 120

If a collective trademark is used without authorization, a user of the collective trademark may file suit with the competent court to prohibit further performance of the action whereby the infringement is committed, compensation for the damage incurred and publication of the final judgment at the defendant's request.

If a user of a collective trademark does not file suit within 1 year from the date when the offense occurred, the holder of the collective trademark may file suit.

#### Article 121

A suit charging violation of the rights protecting inventions and distinguishing marks may be filed within 3 years from the date when the plaintiff learned of the infringement and of the offender.

Suit may not be filed when a period of 5 years has expired from the date when the infringement occurred.

#### Article 122

Proceedings concerning a suit charging infringement of rights protecting inventions and distinguishing marks shall be urgent.

### 2. Contesting Rights to a Patent, Design, Pattern and Trademark

#### Article 123

The inventor, his heir or other legal successor may file suit with the competent court during the entire life of a patent to have the court proclaim him the holder of the patent if the patent was issued in the name of a person who is not the inventor, his heir or other legal successor.

The originator of a pattern or design, his heir or other legal successor may file suit with the competent court for revocation of the right to a pattern or design and to have himself proclaimed the holder of that right if it has been awarded to a person who is not the originator, heir of the originator or his other legal successor.

#### Article 124

An organization of associated labor, other juridical person or individual may file suit with the competent court to establish that a mark which it uses in commerce to mark its goods or services is identical or similar to a trademark used by another person to mark his goods or services of the same or similar kind and that that mark was generally known as a feature of the goods or services of the organization of associated labor, other juridical person or individual even before the defendant filed the application for the trademark and for the court to proclaim the plaintiff holder of the trademark by its decision.

The court shall not honor the suit referred to under the provision of Paragraph 1 of this article if the plaintiff, who is the holder of the trademark, proves that he used the mark in dispute on the same or similar kind of goods or service and did so as long or longer than the plaintiff.

The suit referred to in Paragraph 1 of this article may not be filed if a period of 5 years has expired from the date when the trademark was entered in the register of trademarks.

#### Article 125

Within a period of 3 months from the date of delivery of a final court decision honoring the claim of the suit referred to in Articles 123 and 124 of this law the plaintiff may request that he be entered in the register as the holder of the patent, design, pattern or trademark and that he be issued the appropriate certificate.

If within the period referred to in Paragraph 1 of this article the person whose claim the court has honored does not file a petition for entry in the register as holder of the right which has been recognized as his, the right which has been entered shall be deleted from the register.

#### Article 126

Rights which a third person has obtained from a previous holder of rights under Article 125 of this law shall also be valid for the new holder of the right if they have been entered in the appropriate register or due application has been made for registration before a note was made of the suit.

### 3. Suit for Recognition of Authorship

#### Article 127

An inventor or originator may file suit with the competent court that he be named in the application, publication or appropriate register if it was stated in the patent application without the inventor's consent that the inventor did not wish to be named in the application, or if some other person was named as the inventor or if in the application for a design or pattern it was indicated without the author's consent that the author did not wish to be named in the application or some other person was named as the author.

Upon the death of the inventor or author the right to file suit shall pass to his heirs.

#### Article 128

Aside from the suit referred to in Article 127 of this law, the plaintiff may seek publication of the final decision in the case recognizing authorship at the defendant's expense, and the inventor or author may also file suit for compensation of moral injury.

## Article 129

The suit referred to in Articles 127 and 128 of this law may be filed from the date when the application is filed and at any time during the life of the patent or design or pattern.

## IX. Transfer of Rights and Assignment of Use of Rights

### 1. Transfer of Rights

## Article 130

The holder of a patent, design or pattern or of a trademark may transfer all or part of his rights to another in a self-management accord or contract under the conditions envisaged by this law and other regulations.

The provision of Paragraph 1 of this article shall also apply to an applicant.

The right to a collective trademark and the right to use a protected product mark of origin may not be transferred.

## Article 131

A contract transferring rights as referred to in Article 130 of this law must be drawn up in writing.

The contract referred to in Paragraph 1 of this article shall be entered in the appropriate register at the request of one of the parties to the contract.

A contract which is not drawn up in writing and which has not been entered in the appropriate register shall have no legal force for third parties.

The provisions of Paragraphs 2 and 3 of this article shall also apply to the self-management accord referred to in Article 130 of this law with respect to entry in the appropriate register.

### 2. License Contract

## Article 132

The use of a patent, design or pattern, or trademark shall be ceded under contract in accordance with the provisions of this law and other regulations.

The provision of Paragraph 1 of this article shall also pertain to the applicant for a patent, design or pattern, or trademark.

If an application for a patent, design or pattern has been filed by several persons or if the patent, design or pattern has been granted to several persons, the consent of all those persons is required for the granting of a contract license.



A collective trademark may not be the subject of a license.

#### Article 133

The right to use a trademark may be assigned only if the technology which ensures the same quality of the goods or services is at the same time granted or if the trademark licensee already possesses such technology.

A contract concluded contrary to the provision of Paragraph 1 of this article shall be null and void.

#### Article 134

An organization of associated labor which in order to mark its products or services obtains the right to use a trademark held by another person must use his own trademark registered in the Socialist Federal Republic of Yugoslavia along with that trademark, and this must be done in an equally visible manner.

A contract concluded contrary to the provision of Paragraph 1 of this article shall be null and void.

#### Article 135

A license contract shall specifically contain the following: the duration of the license, the scope of the license, indication as to whether the license is exclusive, and the amount of compensation for the right of use which has been granted if compensation has been contracted for.

The contract referred to in Paragraph 1 of this article shall be entered in the appropriate register at the request of one of the parties to the contract.

A license contract which is not entered in a register as referred to in Paragraph 2 of this article shall have no legal effect upon third parties.

#### Article 136

A contract concerning a license under a patent, model or pattern concluded with an organization of associated labor or other civil juridical person may not provide for the licensor's right to grant the same license to another person as well within the Socialist Federal Republic of Yugoslavia.

If a person who has not concluded a license contract uses the subject of a license referred to in Paragraph 1 of this article in the Socialist Federal Republic of Yugoslavia on the basis of pooling labor and capital with the licensee, the licensor has the right to compensation in proportion to the augmented scale of use of the protected invention, body shape, picture or drawing.

#### Article 137

Any provision in a license contract shall be null and void which places restrictions on the licensee that do not follow from the right which is the subject matter of the contract or which are unnecessary to the preservation of that right.

#### Article 138

The provisions of Articles 132, 133, 135, 136 and 137 of this law shall also apply to the self-management accord assigning use of a patent, design or pattern, or trademark.

### 3. Compulsory License

#### Article 139

If a patentholder is not using or is not sufficiently using a patented invention in the Socialist Federal Republic of Yugoslavia, and is not doing so through another, the right to use of the invention may be granted to another person under the obligation that the patentholder be paid compensation (compulsory license).

It shall specifically be regarded that an invention is not being used or is not being sufficiently used in the Socialist Federal Republic of Yugoslavia in the following cases:

- 1) if the patentholder refuses to grant other persons the right to use the protected invention or places unjustifiable conditions on them;
- 2) if the demand in the country for products manufactured with the protected patent is largely met through imports or if the import of those articles prevents or hinders their industrial application in the country.

A compulsory license may be granted only to an organization of associated labor which proves that it possesses the technological capabilities and production capacities necessary to use the patented invention.

A compulsory license shall not be granted if the holder of the patent proves the existence of legal grounds which justify nonuse or inadequate use of the patented invention.

#### Article 140

A compulsory license may also be granted if a patented invention may not be used in its entirety or partially without using some invention protected by an earlier patent, and the later invention, which represents a more substantial technical advance, is particularly important to the economy or to satisfying general public needs.

If a compulsory license is issued under the provision of Paragraph 1 of this article, the holder of the earlier patent may seek a compulsory license for use of the invention under the later patent.

#### Article 141

A compulsory license may not be exclusive.

#### Article 142

The Bureau shall rule on a petition for issuance of a compulsory license on the basis of the opinion of the Council.

#### Article 143

A petition may not be filed for the granting of a compulsory license before a period of 4 years has passed from the date of filing of the patent application or before expiration of the period of 3 years from the date when the patent was granted, if the latter period expires earlier.

#### 4. License Granted in the Public Interest

#### Article 144

If an invention protected by a patent is used to obtain unjustifiably high prices on the Yugoslav market or if the use of a patented invention is of general public interest to health care, national defense, protection and improvement of the environment, or if it is of particular interest to a particular sector of the economy, a compulsory license may be issued even before expiration of the period stated in Article 143 of this law (license granted in the public interest).

The federal administrative agency competent for affairs in the field in which the invention is to be applied shall rule on the petition of an interested organization of associated labor for the granting of a license under Paragraph 1 of this article, after first having obtained the opinion of the Yugoslav Economic Chamber and the Bureau's Council.

#### 5. Compensation for Use of a Patented Invention on the Basis of a Compulsory License or License Granted in the Public Interest

#### Article 145

When licenses are granted in the cases referred to in Articles 139, 140 and 144 of this law, the patentholder shall be entitled to compensation.

The amount of compensation referred to in Paragraph 1 of this article shall be set by agreement between the holder of the patent and the organization of associated labor granted the license or using the patented invention. If no agreement is reached, the competent court shall set the amount of that compensation.

The nonexistence of the agreement referred to in Paragraph 2 of this article or of the court decision on compensation shall not prevent the organization of associated labor granted the license from using the invention.

#### X. Inventions and New Body Shapes, Pictures or Drawings Created in Associated Labor

##### 1. Inventions Created in Associated Labor

###### Article 146

An invention has been created in a basic organization of associated labor or work organization (hereafter the "organization of associated labor") if the invention came about in work with socially owned assets, specifically as follows:

- 1) in connection with the inventor's work in an organization of associated labor;
- 2) in work which was done at the request or on the order of the organization of associated labor;
- 3) on the basis of a contract concluded between the organization of associated labor and the inventor;
- 4) within 6 months from the day when the inventor's employment in the organization of associated labor terminated, and the invention pertains to the activity of that organization.

###### Article 147

An inventor must file a written report on an invention without delay to the organization of associated labor in which the invention was created.

The report referred to in Paragraph 1 of this article shall contain the following:

- 1) a precise description of the invention and its technical characteristics and details and the drawings necessary to understand it;
- 2) information on whether the invention was created on the initiative of the worker and inventor or was created in performance of work tasks and duties;
- 3) information on the persons who worked with the inventor on the invention, with a description of their participation.

The organization of associated labor referred to in Paragraph 1 of this article and the inventor are required to preserve the secrecy of the invention until application is filed for a patent.



#### Article 148

If the report referred to in Article 147 of this law does not meet the prescribed conditions, the organization of associated labor referred to in Paragraph 1 of this article shall state the period in which the inventor must correct the defects in the report.

If the inventor cannot himself prepare the description of the invention or the necessary drawings, he may request specialized assistance from the organization of associated labor referred to in Paragraph 1 of this article, which shall promptly extend the necessary assistance to the inventor, except in cases in which it is obvious that the proposal is unfeasible.

#### Article 149

The organization of associated labor referred to in Article 147, Paragraph 1, of the law must within 60 days from the date of receipt of the report referred to in that article inform the inventor in writing whether it shall file a patent application or whether some other organization of associated labor will file a patent application.

If the inventor has omitted to report to the organization of associated labor under Article 147, Paragraph 1, of this law concerning an invention that has been created, the period stated in Paragraph 1 of this article shall run from the date when that organization learns of the invention or from the date when it receives the written report on the invention.

#### Article 150

If the organization of associated labor referred to in Article 147, Paragraph 1, of this law does not proceed in accordance with the provision of Article 149, Paragraph 1, of this law or if it informs the inventor that neither it nor any other organization of associated labor will file a patent application, the inventor has the right to file a patent application himself. The inventor is required to state in the patent application that the invention was created in an organization of associated labor.

#### Article 151

The organization of associated labor referred to in Article 147, Paragraph 1, of this law may in writing waive the right to file a patent application in the Socialist Federal Republic of Yugoslavia or only abroad or in certain foreign countries.

#### Article 152

If under Article 146 of this law an invention has been created in an organization of associated labor, and it is protected under Article 150 of this law in the name of the inventor, all organizations of associated labor may use that invention.

The organization of associated labor which uses the invention referred to in Paragraph 1 of this article must pay the inventor compensation depending on the contribution of that invention to augmenting income or reducing costs or losses in the organization of associated labor which is using that invention.

If an organization of associated labor using an invention and the inventor do not agree on compensation, the dispute shall be decided by the competent court.

#### Article 153

In the case of an invention created in an organization of associated labor which is not being used, but is protected by a patent, the inventor has the right to a special award from the organization of associated labor in whose name the invention is protected for his contribution to general technological progress.

The inventor is also entitled to a special award for an invention created in an organization of associated labor which is used and whose impact in augmenting the income of the basic organization of associated labor cannot be directly expressed, but which contributes to improving the working conditions and natural conditions, to protecting people and property, and to protection and improvement of the workplace and general environment.

#### Article 154

If the inventor and the organization of associated labor in whose name the invention is protected do not reach agreement on the amount and other conditions of payment of compensation or award, the competent court of associated labor shall decide the dispute at the request of one party or both parties.

#### Article 155

In its general self-management act the organization of associated labor shall regulate in more detail procedure related to examining reports on inventions as referred to in Article 146 of this law and also the bases and scales for establishing the contribution of an invention to augmenting income, the level, manner and condition for ascertaining and paying the compensation or award, and other matters related to inventions created in associated labor.

#### Article 156

The provisions of Articles 146 through 155 of this law shall apply to basic co-operative organizations, basic organizations of cooperators, agricultural cooperatives, craft and trade and other nonagricultural cooperatives and contract organizations of associated labor, as well as to workers or other working people in those organizations or cooperatives, in accordance with their status and rights, obligations and responsibilities regulated in the self-management accord on entry into association or the contract on establishment and by law.

The provisions of Articles 146 through 155 of this law shall also apply to work communities in organizations of associated labor and other civil juridical

persons in accordance with their status and rights, obligations and responsibilities regulated in the self-management accord on mutual rights, obligations and responsibilities of the work community or the contract and the self-management accord on entry into association, or the act establishing the work community, and by law.

## 2. New Body Shapes, Pictures or Drawings Created in Associated Labor

### Article 157

A new body shape, picture or drawing is considered to have been created in an organization of associated labor if these creations came about in work with socially owned assets, specifically as follows:

- 1) if the body shape, picture or drawing came about in direct relation to work assignments and duties of the originator in the organization of associated labor;
- 2) if the body shape, picture or drawing was created within 6 months of the day when the author's employment in the organization of associated labor terminated, and the conditions stated in Subparagraph 1 of this article are met;
- 3) if the body shape, picture or drawing came about through work done at the request or on the order of the organization of associated labor;
- 4) if the body shape, picture or drawing came about on the basis of a contract concluded between the organization of associated labor and the author, providing that the creation would belong to the organization of associated labor.

### Article 158

The provisions of Articles 146 through 157 of this law shall be appropriately applied to new body shapes, pictures or drawings created in an organization of associated labor.

## XI. Technical Improvement

### Article 159

A technical improvement protected under the conditions and in the manner regulated in a general self-management act or other general act may be any innovative proposal to improve the efficiency and organization of work that occurs through the use of known technical means and technological procedures in all phases of the work process, whereby the following are achieved: increased income of the organization of associated labor, increased labor productivity, improved product quality, a saving of materials, a saving of energy, better utilization of machines or installations, better technical inspection of products, improvement of workplace safety or improvement of the protection and improvement of the environment.

A technical improvement may also be a solution to a technical problem which has not been granted the protection of a patent, if it meets the conditions in Paragraph 1 of this article.

Routine use of well-known technical means and technological procedures in the work process shall not be regarded as a technical improvement in the context of Paragraph 1 of this article.

#### Article 160

A technical improvement may not be protected by a patent.

#### Article 161

The author of a technical improvement must write a written report on the technical improvement to the organization of associated labor in which he works and in which the technical improvement was created. Along with the report the author is required to supply a description, data and drawings necessary to understand the technical improvement and the proposal for its application.

If the author of the technical improvement cannot himself prepare the description, data and drawings necessary to understand the technical improvement nor the proposal for its application, he may request specialized assistance from the organization of associated labor referred to in Paragraph 1 of this article, which shall promptly extend the necessary assistance to the author of the technical improvement, except in cases in which it is obvious that the proposal of the technical improvement is unfeasible.

The organization of associated labor referred to in Paragraph 1 of this article must promptly confirm to the author in writing that it has received the report on the technical improvement.

#### Article 162

Within 3 months from the date of receipt of the report on a technical improvement the organization of associated labor in which the technical improvement was created must examine the technical improvement and inform the author in writing whether it accepts the proposal of the technical improvement.

If the organization of associated labor in which the technical improvement was created accepts the proposal of the technical improvement, it must commence application of that technical improvement no later than within 1 year from the date when the proposal was accepted.

#### Article 163

If the organization of associated labor in which the technical improvement was created informs the author that it does not accept his proposal of a technical improvement, the author has the right to submit that proposal to another organization of associated labor, which is required to proceed in the manner envisaged in Article 162 of this law.



#### Article 164

If the organization of associated labor in which a technical improvement was created or another organization of associated labor to which the proposal of the technical improvement was submitted accepts that proposal, but within the period of 1 year from the date of acceptance of the proposal it does not commence application of the technical improvement, all organizations of associated labor in the country acquire the right of application, under the obligation that they pay compensation to the author for use of the technical improvement.

An organization of associated labor which applies a technical improvement in the sense of Paragraph 1 of this article must so inform the regional economic chamber in which that technical improvement is recorded (Article 165).

#### Article 165

An organization of associated labor which has accepted the proposal of a technical improvement, but has not applied it within 1 year from the date of acceptance of the proposal, must give written notice of that technical improvement to the regional economic chamber in which it is associated immediately after expiration of that period.

The regional economic chamber must keep records on technical improvements as referred to in Paragraph 1 of this article and must issue information on them to all organizations of associated labor in the country and to workers employed in those organizations.

The records referred to in Paragraph 2 of this article shall contain the following information: the name of the technical improvement, the name of the author of the technical improvement, the corporate name or title and location of the organization of associated labor which has begun to apply the technical improvement, the date of acceptance of the technical improvement, the date of application of the technical improvement, the technical or other problem which is solved by the technical improvement, and the results attained or expected from application of the technical improvement.

#### Article 166

The author of a technical improvement shall be entitled to special compensation for use of the technical improvement depending on the contribution of that technical improvement to augmenting the income or reducing the costs or losses in the organization of associated labor in which the technical improvement is applied over the life of its application, but not to exceed 5 years from the date when application began.

#### Article 167

The level, conditions and manner of the special compensation when on proposal of the author the technical improvement is being used by an organization of associated labor in which the technical improvement was not created (Article 163)

shall be regulated by contract between the author of the technical improvement and the organization of associated labor which is using the technical improvement.

The contract referred to in Paragraph 1 of this article may not stipulate an amount, conditions and manner of special compensation for the author of the technical improvement which are less favorable than those envisaged by the general self-management act of the organization of associated labor in which the technical improvement was created.

#### Article 168

When a technical improvement is being used by an organization of associated labor in which it was not created, unless it is being used on the proposal of the author (Article 163), the manner and conditions of that use and the bases and scales for determining the amount, manner and conditions of payment of compensation for use of the technical improvement shall be set forth in a self-management accord between that organization and the organization of associated labor in which the technical improvement was created or which had adopted it.

#### Article 169

The competent court of associated labor shall resolve a dispute on the conditions and manner of use of a technical improvement and on the level of compensation.

#### Article 170

In a self-management accord or other general self-management act the organization of associated labor shall regulate the following in more detail: procedure for ascertaining the existence of a technical improvement and the possibility of its application, the bases and scales for ascertaining the contribution of the technical improvement to augmenting income, the level, manner and conditions for ascertainment and payment of the special compensation for use of the technical improvement and other matters related to the technical improvement.

If the organization of associated labor has not regulated the matters referred to in Paragraph 1 of this article in a self-management accord or other general self-management act, it is required to do so within 6 months from the date of receipt of the written report referred to in Article 161, Paragraph 1, of this law.

#### Article 171

The provisions of Articles 159 through 170 of this law shall also be appropriately applied to other self-managed organizations and communities.

## Article 172

Regulations regulating in more detail technical improvements important to national defense shall be issued by the official who heads the federal administrative agency competent for national defense affairs, and regulations regulating in more detail the technical improvements important to national security shall be issued by the official heading the federal administrative agency competent for internal affairs.

The compensation for a technical improvement important to national defense or to national security shall be paid the author of the technical improvement in a lump-sum amount of money.

The official who heads the federal administrative agency competent for national defense affairs or the official who heads the federal administrative agency competent for internal affairs is hereby authorized to define in the regulations which they issue on the basis of the power granted in Paragraph 1 of this article misdemeanors for violation of those regulations.

## XII. Punitive Provisions

### Article 173

An organization of associated labor or other juridical person shall be subject to a fine of no less than 10,000 and no more than 500,000 dinars for an economic violation in the following cases:

- 1) if it files for protection of rights protecting inventions and distinguishing marks abroad before having filed an application for recognition of that right in the Socialist Federal Republic of Yugoslavia (Article 14, Paragraph 1);
- 2) if it seeks protection of an invention abroad before expiration of the period of 3 months from the date of filing the application with the Bureau (Article 14, Paragraph 2);
- 3) if without authorization it engages in representation of foreign juridical and natural persons (Article 16);
- 4) if it makes public a secret invention or seeks protection abroad without permission of the federal administrative agency competent for national defense affairs or the federal administrative agency competent for internal affairs (Article 108 in connection with Article 109);
- 5) if without authorization it uses a right protecting inventions and distinguishing marks (Article 118, Paragraphs 1 and 2).

The person responsible in the organization of associated labor or other juridical person shall also be subject to a fine of no less than 3,000 and no more than 30,000 dinars for the economic violation referred to in Paragraph 1 of this article.

#### Article 174

An organization of associated labor or other juridical person in which an invention has been created shall be subject to a fine of no less than 2,000 and no more than 20,000 dinars for a misdemeanor in the following cases:

- 1) if it does not inform the Bureau of commencement or termination of use of an invention of another organization of associated labor (Article 68, Paragraphs 1 and 2);
- 2) if it does not extend professional assistance to an inventor in preparing the description of an invention or necessary drawings (Article 148, Paragraph 2);
- 3) if within 60 days from the date of receipt of the report on an invention created in an organization of associated labor it does not inform the inventor in writing as to whether it will file for a patent or whether a patent will be filed for by some other organization of associated labor (Article 149, Paragraph 1);
- 4) if against the inventor's will it states in the patent application that the inventor does not wish to be named (Article 77, Paragraph 2);
- 5) if within a period of 1 year from the date of acceptance of the proposal of a technical improvement it does not give written notice to the regional economic chamber in which it is associated of a technical improvement which it has accepted, but which it is not applying (Article 165, Paragraph 1).

The person responsible in the organization of associated labor or other juridical person shall also be subject to a fine of no less than 1,000 and no more than 5,000 dinars for the misdemeanor referred to in Paragraph 1 of this article.

#### Article 175

The owner of a shop who independently carries on his activity with his own capital shall be subject to a fine of no less than 2,000 and no more than 20,000 dinars for a misdemeanor if he commits any of the acts referred to in Article 173 of this law.

An individual shall be subject to a fine of no less than 1,000 and no more than 10,000 dinars for a misdemeanor if he commits any of the acts enumerated in Article 173 of this law.

#### XIII. Transitional and Final Provisions

#### Article 176

The provisions of this law shall also apply to applications for recognition of rights protecting inventions and distinguishing marks filed before the date set for this law to take effect unless administrative proceedings concerning them have been completed.



#### Article 177

Applicants on whose patent applications administrative proceedings have not been completed and which were filed before the date set for application of this law must within 6 months of the date of the application's publication pay fees for complete examination of conditions for granting of a patent.

If within the period stated in Paragraph 1 of this article the patent applicant does not pay the prescribed fee, it shall be assumed that he has withdrawn the patent application.

#### Article 178

Registered rights protecting inventions and distinguishing marks which are valid as of the date set for application of this law shall remain in effect, and the provisions of this law shall apply to them, except as concerns the life of those rights.

#### Article 179

The official heading the Bureau shall issue the regulations referred to in Article 99 of this law before the date set for application of this law.

The Federal Executive Council shall issue the regulation referred to in Article 110 of this law within 3 months from the date set for application of this law.

#### Article 180

Within a period of 1 year from the date set for application of this law organizations of associated labor shall regulate the matters referred to in Article 60 of this law in a general self-management act.

#### Article 181

The Law on Patents and Technical Improvements (SLUZHENI LIST FNRJ [OFFICIAL GAZETTE OF THE FEDERAL PEOPLE'S REPUBLIC OF YUGOSLAVIA], No 44, 1960, and No 28, 1962; and SLUZHENI LIST SFRJ, No 24, 1974), the Law on Patterns and Designs (SLUZHENI LIST FNRJ, No 45, 1961; and SLUZHENI LIST SFRJ, No 24, 1974) and the Law on Trademarks and Service Marks (SLUZHENI LIST FNRJ, No 45, 1961; and SLUZHENI LIST SFRJ, No 24, 1974) shall cease to be valid on the day set for application of this law.

#### Article 182

The provisions of this law shall be applied after expiration of a period of 6 months from the date when this law takes effect.

#### Article 183

This law shall take effect on the eighth day after publication in SLUZHENI LIST SFRJ.

**END OF**

**FICHE**

**DATE FILMED**

**17 Aug. 1981**

